

**State of Alaska**

# **Comprehensive Annual Financial Report**

**For the Fiscal Year  
July 1, 2004 – June 30, 2005**



**Prepared by:  
Department of Administration  
Division of Finance**

The FY 05 CAFR is expected to be available on or after December 31, 2005 on our Internet web site at [http://fin.admin.state.ak.us/dof/financial\\_reports/cafr\\_toc.jsp](http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp).

**This publication was released by the Department of Administration, Division of Finance to report on the state's financial status. Produced and printed in Juneau, Alaska at a cost of \$15.74 per copy. This publication is required by AS 37.05.210.**



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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2005**

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# Introductory Section

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December 15, 2005

The Honorable Frank H. Murkowski, Governor  
Members of the Legislature  
Citizens of the State of Alaska

In accordance with Alaska Statute (AS) 37.05.210, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of Alaska for the fiscal year ending June 30, 2005. This report has been prepared by the Department of Administration, Division of Finance. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the state. Statistical and demographic information are included to enable the reader to gain an understanding of the state's financial activities.

## INTRODUCTION

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, exhibits of General Fund financial information, an organization chart, a list of the executive branch functions by department, and a list of the state's legislators. The financial section includes: the independent auditor's report on the basic financial statements; Management's Discussion and Analysis (MD&A), the basic financial statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds, and component units, together with the accompanying notes to the basic financial statements that outline pertinent accounting and reporting policies as well as explain significant financial matters that are essential to full disclosure of the state's financial operations and condition; required supplementary information other than MD&A, which presents a budgetary comparison schedule for the General Fund; and the supplemental financial data section, which includes the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

### **Internal Controls**

The Department of Administration, Division of Finance, is primarily responsible for the overall operation of the state's central accounting system. The state's system of internal controls over the accounting system has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgements by management.

Some discretely presented component units operate outside the state's central accounting system. Those component units are responsible for establishing and maintaining their own separate internal control structures.

## **Audits**

The Division of Legislative Audit is the principal auditor of the state's reporting entity. The audit of the CAFR was conducted in accordance with generally accepted auditing standards (GAAS), and the independent auditor's report is the first item in the financial section of the CAFR and precedes the MD&A and basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2005, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

In addition to the annual audit of the state's CAFR, the state is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be published at a later date under separate cover by the Division of Legislative Audit.

## **Management's Discussion and Analysis (MD&A)**

Governmental Accounting Standards Board Statement No. 34 requires that management provide a narrative introduction, overview, and analysis of the state's financial activities. This transmittal letter is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

## **PROFILE OF THE STATE OF ALASKA**

The State of Alaska was the 49<sup>th</sup> state admitted into the Union in 1959. The Alaska Constitution was adopted by the Constitutional Convention February 5, 1956, ratified by the people of Alaska April 24, 1956, and became operative with the formal proclamation of statehood January 3, 1959.

There are three branches of government: legislative, executive and judicial. The legislative power of the state is vested in a legislature consisting of a Senate with a membership of 20 and a House of Representatives with a membership of 40. The executive power of the state is vested in the governor. The judicial power of the state is vested in a supreme court, a superior court, and the courts established by the legislature. The jurisdiction of courts and judicial districts are prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State of Alaska reporting entity reflected in this CAFR, which is described more fully in Note 1 to the basic financial statements, conforms with the requirements of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*. These criteria include financial accountability, fiscal dependency, and legal standing. The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents. The financial statements should allow users to distinguish between the primary government (the state) and its component units, with the emphasis being on the primary government. Consequently, this transmittal letter, the MD&A, and the financial statements focus on the state and its activities. Although information pertaining to the discretely presented component

units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position.

The state provides a range of services including education, health and human services, transportation, law enforcement, judicial, public safety, community and economic development, public improvements, and general administrative services.

### **Accounting System and Budgetary Control**

The state's government-wide, proprietary, and fiduciary fund financial statements are reported on the accrual basis of accounting. The state's financial statements for governmental funds have been prepared on a modified accrual basis of accounting, with revenues being recorded when measurable and available and expenditures being recorded when services or goods are received and the liabilities incurred.

The state maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the budget appropriated annually by the legislature. Annual operating budgets are adopted through passage of appropriation bills (session laws) by the legislature with approval by the governor. These laws also identify the source of funding for the budgeted amounts. Control is maintained at the departmental level by recording budgeted amounts, funding sources, expenditures, and encumbrances within the appropriation structure in the state's central accounting system. Open encumbrances are reported as reservations of fund balance at the end of the fiscal year.

### **Cash and Investment Management**

As discussed more fully in Note 4 to the basic financial statements, the state's cash is managed by the Treasury Division in the Department of Revenue or by other administrative bodies as determined by law. All cash deposited in the state treasury is managed to achieve a particular target rate of return as determined by the investment objectives set for a given fund. Cash in excess of the amount needed to meet current expenditures is invested pursuant to AS 37.10.070-.071 which requires that investments shall be made with the judgement and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury has established an array of investment pools with varying investment horizons and risk profiles. Investments are managed in a pooled environment unless required by statute or bond resolution to be held separately. Commingled investment pools maximize earnings potential, provide economies-of-scale, and allow smaller funds to participate in investment opportunities that would otherwise be unavailable to them. Rather than each participant (fund) buying identical individual securities, larger quantities of securities can be purchased at one time, reducing the operating costs and number of transactions. A fund's equity ownership in a pool is based on the number of shares held by the fund.

### **Cash Flow**

After oil began flowing through the Trans-Alaska Pipeline in the late 1970s, the state enjoyed the enviable position of having sizeable sums of cash flowing into the state treasury. This cash funded a steadily growing state operating budget, large and small annual capital budgets, and the state's permanent fund.

In more recent years, the reality of declining oil production and the corresponding decrease in available cash has become more apparent. The volatility of oil prices has a profound effect on the annual budgeting process. Also associated with this volatility, though less widely understood, is a cash flow situation that could lead to a cash deficiency for the state.

Prior to 1985, most unrestricted revenues flowed directly into the state's General Fund where they were available to pay day-to-day costs of operating state government. This is no longer the case. Over time, the legislature has established more than 50 cash pools either as subfunds of the General Fund or other separate cash pools. In 1990 the legislature appropriated the entire General Fund balance available for appropriation at the end of FY 91 to a Statutory Budget Reserve Fund (SBRF). By a vote of the people in 1990, the Alaska Constitution was amended to establish a separate Constitutional Budget Reserve Fund (CBRF) into which oil tax settlement revenues are deposited. The effect of these actions diverted cash historically destined for the General Fund to other cash pools that were not available to pay day-to-day state operating costs.

Also contributing to the potential for a cash deficiency is the fact that the inflow of unrestricted revenues does not mirror the outflow of cash expenditures. Revenues tend to flow in at a generally consistent rate. Expenditures, however, are cyclic with high and low periods. The first quarter expenditures of each fiscal year are generally much higher than revenues for the same period. Clearly, if the General Fund (excluding the subfunds) does not have a large cash balance at the beginning of the fiscal year or if other sources of funds are not available, the state faces the possibility of a cash deficiency before the end of the first quarter.

Since the FY 93 budget cycle, the legislature has addressed the possibility of a revenue shortfall. It has included language in the appropriation act permitting the executive branch to borrow cash from the statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, FY 03, FY 04, and FY 05 to balance revenues and expenditures. As of June 30, 2005, \$5.2 billion has been appropriated from the CBRF.

### **Risk Management**

As more fully detailed in Note 11C to the basic financial statements, the state's risk management program provides a primary layer of self-insured retention supplemented by excess insurance coverage. The state's risk management program covers all state agencies and component units, except for the Alaska Housing Finance Corporation, Alaska Railroad Corporation, and the University of Alaska who administer their own programs. Further, there is separate coverage provided by the individual component units such as the Alaska Industrial Development and Export Authority for certain individual projects.

### **General Fund Operations**

The well-being of the State of Alaska is best reflected in the operations of the General Fund. The General Fund is the state's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. The state maintains many accounts and subfunds (created by law) that are accounted for and reported within the General Fund. Three of the most notable are the Constitutional Budget Reserve Fund, the Permanent Fund Dividend Fund, and the Public Education Fund. Because of materiality and public interest in these funds, individual fund data for each is provided in the combining statements for the General Fund included in this report.

The state's major source of unrestricted revenue is petroleum related. In FY 05, petroleum revenue was 51 percent of all General Fund revenues (see the following table). The largest source of nonpetroleum revenues, as shown in the following table, is federal, which makes up 34 percent of revenues. Not all revenues that flow into the General Fund are available to pay for unrestricted government activities. The most notable are federal revenues, which are provided for specific purposes.

| (Stated in millions)           | FY 05      | Percent | FY 04      | Percent |
|--------------------------------|------------|---------|------------|---------|
| <u>Petroleum Revenue</u>       |            |         |            |         |
| Property Tax                   | \$ 42.9    | 0.8%    | \$ 47.4    | 1.0%    |
| Corporate Petroleum Income Tax | 529.7      | 9.4%    | 302.9      | 6.5%    |
| Severance Tax                  | 884.5      | 15.7%   | 656.1      | 14.0%   |
| Mineral Bonuses and Rents      | 17.4       | 0.3%    | 10.5       | 0.2%    |
| Oil and Gas Royalties          | 1,402.5    | 24.8%   | 1,045.7    | 22.3%   |
| Total Petroleum Revenue        | 2,877.0    | 51.0%   | 2,062.6    | 44.0%   |
| <u>Nonpetroleum Revenue</u>    |            |         |            |         |
| Taxes                          | 277.4      | 4.9%    | 236.2      | 5.1%    |
| Licenses and Permits           | 96.0       | 1.6%    | 90.6       | 1.9%    |
| Charges for Services           | 152.6      | 2.7%    | 183.9      | 3.9%    |
| Fines and Forfeitures          | 10.9       | 0.2%    | 17.5       | 0.4%    |
| Rents and Royalties            | 16.0       | 0.3%    | 12.4       | 0.3%    |
| Interest and Investment Income | 147.4      | 2.6%    | 73.8       | 1.6%    |
| Other Revenue                  | 145.4      | 2.6%    | 84.0       | 1.8%    |
| Total Nonpetroleum Revenue     | 845.7      | 14.9%   | 698.4      | 15.0%   |
| Federal Revenue                | 1,924.9    | 34.1%   | 1,918.6    | 41.0%   |
| Total Revenues                 | \$ 5,647.6 | 100.0%  | \$ 4,679.6 | 100.0%  |

The total expenditures charged against General Fund appropriations during FY 05 amounted to \$5,529.7 million, an increase of \$111.2 million from FY 04. These expenditures by department are compared with the prior year in the following tabulation (in thousands):

| <u>Department</u>                             | FY 05        | Percent | FY 04        | Percent |
|---|--------------|---------|--------------|---------|
| Office of the Governor                        | \$ 45,358    | 0.8%    | \$ 46,702    | 0.9%    |
| Administration                                | 92,132       | 1.7%    | 127,960      | 2.4%    |
| Law   | 38,862       | 0.7%    | 33,860       | 0.6%    |
| Revenue                                       | 622,963      | 11.3%   | 716,305      | 13.3%   |
| Education and Early Development               | 1,026,417    | 18.5%   | 959,336      | 17.5%   |
| Health and Social Services                    | 1,667,005    | 30.0%   | 1,644,498    | 30.4%   |
| Labor and Workforce Development               | 106,964      | 1.9%    | 95,885       | 1.8%    |
| Commerce, Community, and Economic Development | 120,219      | 2.2%    | 129,136      | 2.4%    |
| Military and Veterans' Affairs                | 58,155       | 1.1%    | 40,810       | 0.8%    |
| Natural Resources                             | 160,971      | 2.9%    | 93,087       | 1.7%    |
| Fish and Game                                 | 67,432       | 1.2%    | 60,246       | 1.1%    |
| Public Safety                                 | 115,454      | 2.1%    | 105,335      | 1.9%    |
| Environmental Conservation                    | 116,121      | 2.1%    | 109,198      | 2.0%    |
| Corrections                                   | 174,897      | 3.2%    | 167,150      | 3.1%    |
| Transportation and Public Facilities          | 769,828      | 13.9%   | 751,380      | 13.9%   |
| Legislature                                   | 37,192       | 0.7%    | 34,492       | 0.6%    |
| Debt Service                                  | 14,026       | 0.3%    | 12,115       | 0.2%    |
| Alaska Court System                           | 60,166       | 1.1%    | 60,969       | 1.1%    |
| University                                    | 235,495      | 4.3%    | 230,050      | 4.3%    |
| Total Expenditures                            | \$ 5,529,657 | 100.0%  | \$ 5,418,514 | 100.0%  |

**Public Employees' and Teachers' Retirement Systems Pension Funds**

Net assets at June 30, 2005, of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$8.6 billion and \$4.0 billion respectively. The funding status for PERS and TRS as of the June 30, 2003, actuarial valuations, indicated the actuarial accrued liabilities were 72.8 percent funded for PERS, and 64.3 percent funded for TRS. Further information on these and other pension funds, including the Supplemental Benefits System and Deferred Compensation plans, can be found in Notes 7, 8, and 9 to the basic financial statements.

**Economic Condition and Outlook**

As mentioned earlier, the state's major source of revenue is petroleum related. However, the price of oil has had its ups and downs over the years. The Alaska North Slope West Coast oil price averaged \$43.43 per barrel during FY 05, which is \$1.68 over the Department of Revenue spring 2005 projection of \$41.75 per barrel and \$11.69 more than the average price of \$31.74 for FY 04. The fall 2005 projection for FY 06 is \$57.30 per barrel.

With the state so dependent on petroleum revenues, the price of oil and gas is always a critical element for budgeting. Beginning in FY 05, negotiations with producers for a gasoline contract have been a major initiative of the administration. The results of these negotiations will have far-reaching impacts on the economy of Alaska.

Pension reform for public employees and teachers was instituted with the passage of SB 141 by the Twenty-Fourth Alaska State Legislature. Beginning July 2006, this bill creates a new pension system for new public employees similar to 401(K) plans offered in the private sector. The plan includes a defined contribution into each employee's investment account, retirement health benefit, and a health reimbursement arrangement that allows pretax dollars to be used upon retirement to help pay for medical expenses. This portable retirement benefit was designed to strike a balance between the state's ability to attract qualified workers and its need to offer employees a benefit that can be financially sustained for the long-term. The public employee retirement system faced underfunding of \$5.7 billion, and continued rising benefit costs. This reform effort is intended to stabilize contribution rates for all public employers within the state.

State support of education continues to rise. Funding for K-12 education increased from \$756 million in FY 04, to \$824 million in FY 05, to \$897 million appropriated for FY 06. In FY 05, the Public Education Fund was created for funding formula payments to school districts and ensure that any K-12 money left over at the end of the fiscal year remains available for education and does not lapse into the General Fund. At the same time, statewide programs have been initiated to improve the quality of schools, teachers and administrators. Alaska established the first mentoring program for teachers in the nation to combat a nationwide problem: the loss of promising educators. It also established a new teacher certification system based on demonstrated ability to teach rather than on counting only hours spent in a college of education. These programs are important to the success of education in state as large and diverse as Alaska.

All state agencies are reporting program performance that describes the results of their service efforts and accomplishments. This information is available on the Office of Management and Budget web site at [www.gov.state.ak.us/omb](http://www.gov.state.ak.us/omb).

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alaska for its CAFR as of and for the fiscal year ended June 30, 2004. This is the second year the State of Alaska has received this award on the CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports. It represents a significant accomplishment by a government and its management.

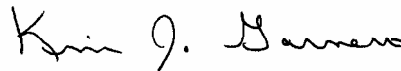
To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2005 conforms to the award criteria, and we are submitting it to the GFOA for review.

We wish to express our sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of each state agency, each component unit, and the dedicated staff within the Division of Finance.

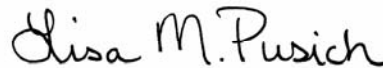
Sincerely,



Scott J. Nordstrand  
Commissioner  
Department of Administration



Kim J. Garner, CPA  
Director  
Division of Finance



Lisa M. Pusich, CPA  
State Accountant  
Division of Finance

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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.



*Carla E. Perry*

President

*Jeffrey R. Emer*

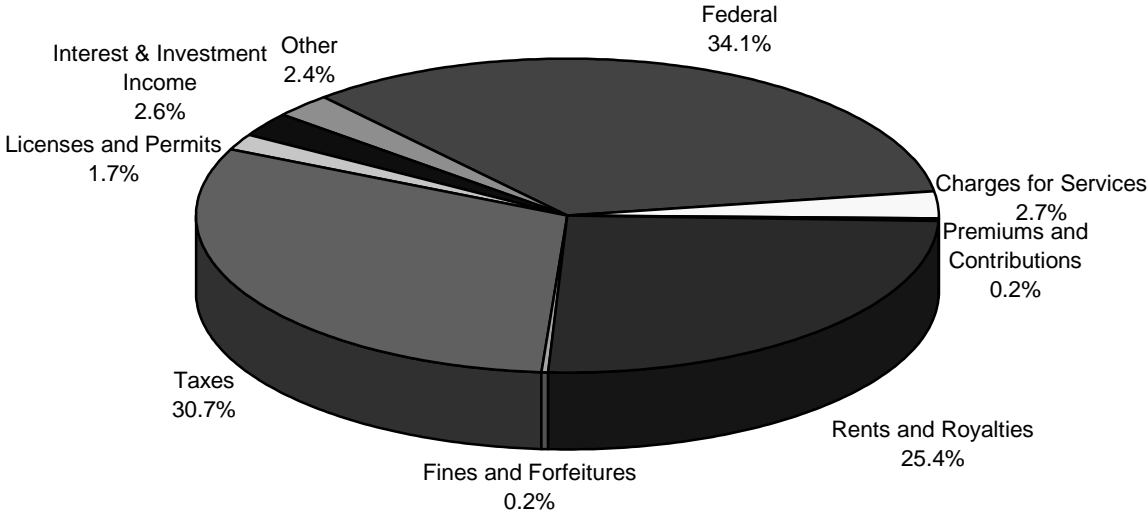
Executive Director



# STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

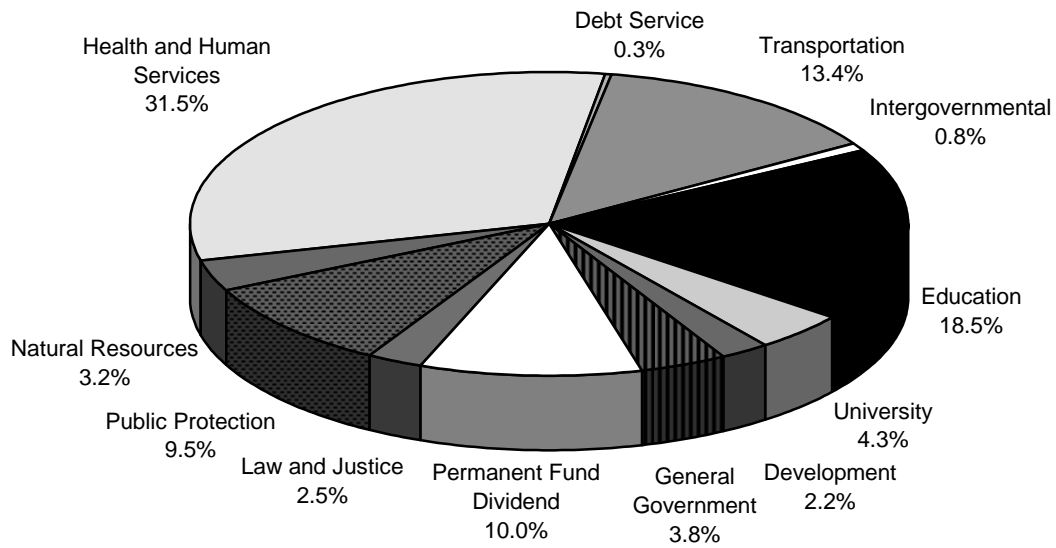
\$5,648  
(Millions)



# STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

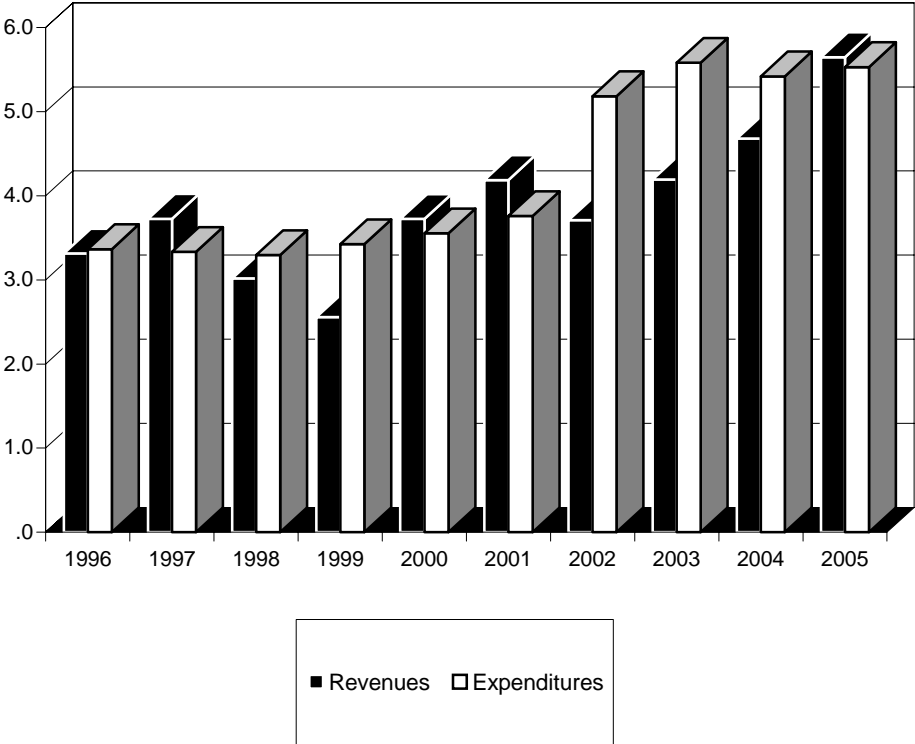
\$5,530  
(Millions)



# STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

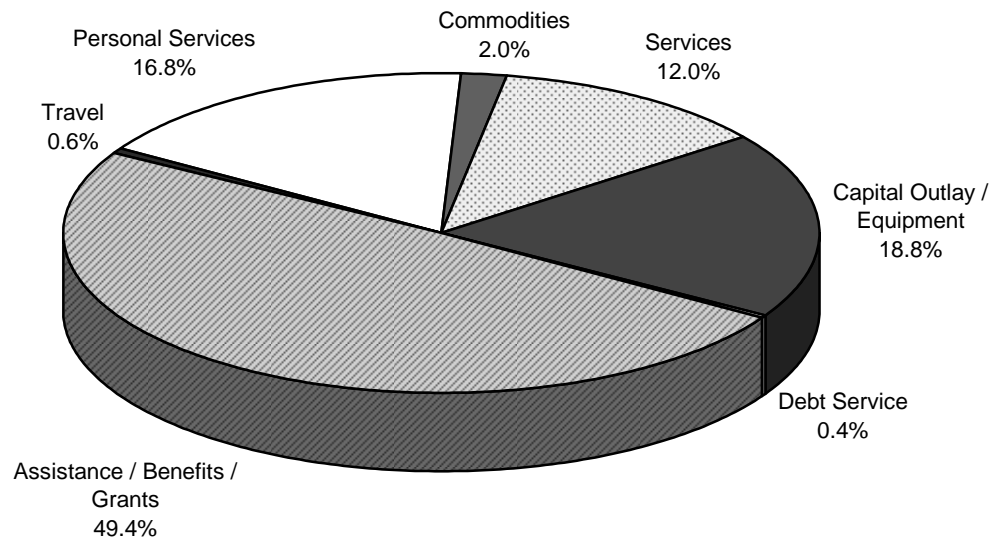
TEN YEAR COMPARISON  
FOR THE FISCAL YEARS 1996 THROUGH 2005

(Stated in Billions)



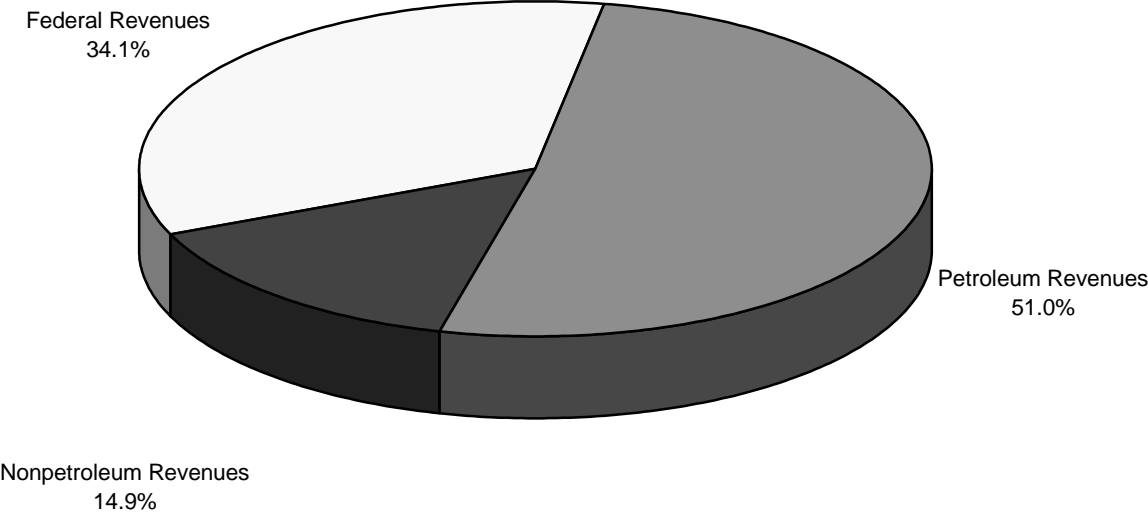
# STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

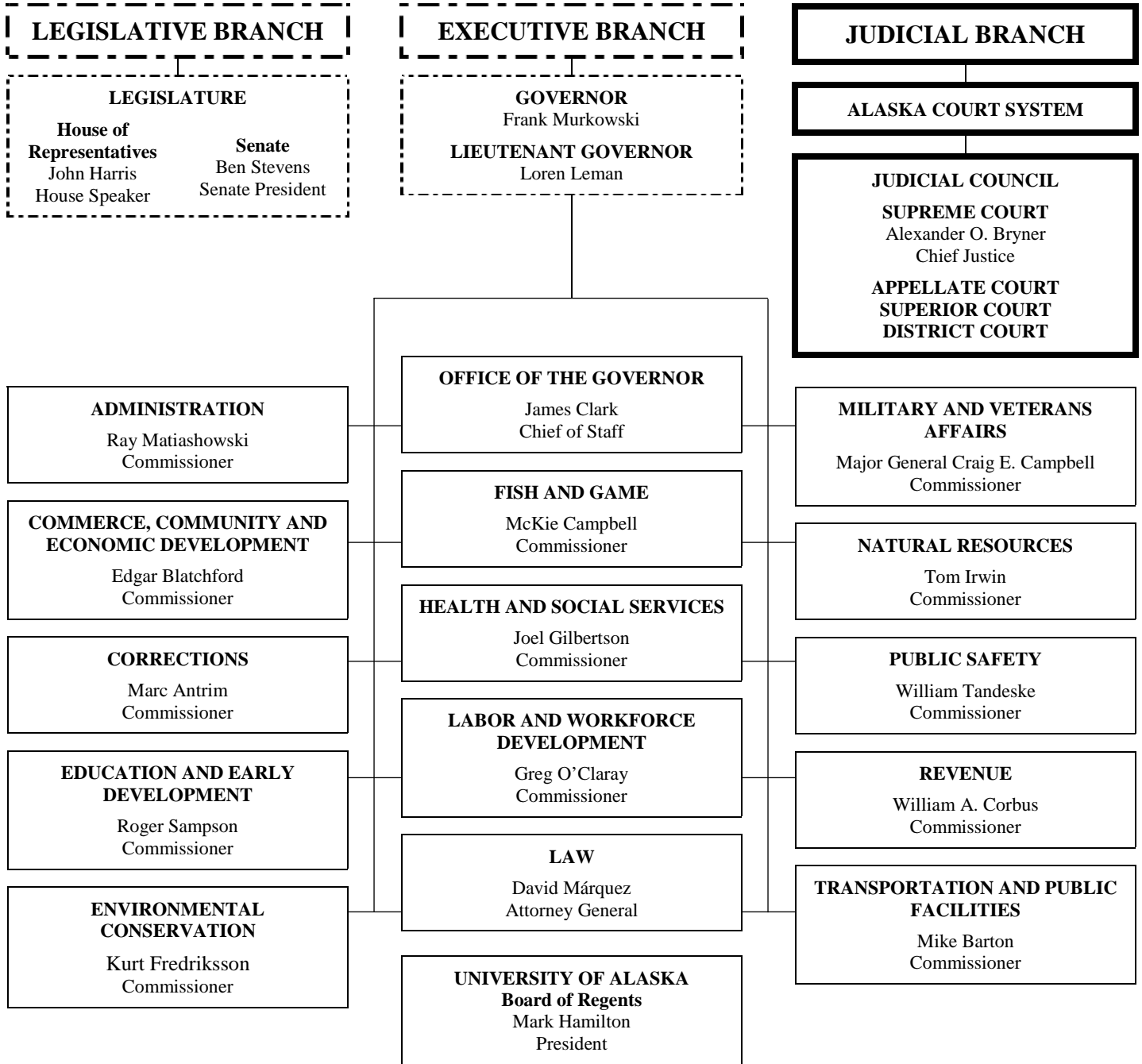


# STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2005



# STATE OF ALASKA ORGANIZATION CHART



- - - - - Elected by popular vote (includes Lieutenant Governor, elected on same ticket as Governor).
- Justices and Judges of the Courts nominated by Judicial Council, selected by Governor and thereafter subject to voter approval.
- Department heads appointed by Governor and confirmed by the Legislature.

# FUNCTIONS OF STATE DEPARTMENTS

## **OFFICE OF THE GOVERNOR**

The Governor is the Chief Executive of the State. The Office of the Governor has the overall responsibility for coordinating the activities of state agencies to ensure that all programs are consistent with Alaska's goals and objectives.

## **ADMINISTRATION**

Services to state agencies: Personnel, Labor Relations, Retirement and Benefits, Finance (payroll, accounts, and disbursements), General Services (purchasing, supply, mail, management of Public Building Fund facilities, space allotment); Risk Management, Enterprise Technology Services (telecommunications and computer services). Services to the Public: Motor Vehicles; Office of Public Advocacy; Public Defender Agency; Alaska Public Offices Commission; Oil and Gas Conservation Commission; Alaska Public Broadcasting Commission; Office of Administrative Hearings; and the Violent Crimes and Compensation Board.

## **COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT**

Provides consumer protection through the regulation of banking, securities and corporations, insurance, professional occupations, and business licensing.

Promotes economic development in the state through domestic and international promotion of tourism, Alaska seafood, timber, minerals, and other products, and encouragement of business and industrial development. Administers several loan programs.

Fosters the development of independent local governments by providing technical, financial, and program assistance to communities.

Also includes: the Alaska Seafood Marketing Institute, Regulatory Commission of Alaska, Industrial Development and Export Authority, Aerospace Development Corporation, Alaska Community Services Commission, and Alaska Railroad Corporation.

## **CORRECTIONS**

The Department of Corrections is responsible for public safety through the incarceration and supervision of offenders. The department operates twelve correctional facilities and jails which provide secure incarceration and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and oversight of 15 small community jails. Also included in the department is the Alaska Board of Parole, a quasi-judicial board which makes all parole related decisions.

## **EDUCATION AND EARLY DEVELOPMENT**

The Department of Education and Early Development is responsible for Alaska's system of public education. The State Board of Education and Early Development is the executive board of the department. The board develops educational policy, promulgates regulations governing education, appoints the Commissioner of Education and Early Development with the Governor's approval, and is the channel of communication between state government and the public for educational matters. Education policies are determined by

the board and administered by the Commissioner through department divisions. Programs administered include: public school funding, teacher certification, and student assessment. The department also operates Mt. Edgecumbe High School, the state's secondary boarding school program. The department administers the state libraries, archives, records and museum services, provides grants to the arts community, and provides financial aid to post-secondary students through the Alaska Commission on Postsecondary Education.

## **ENVIRONMENTAL CONSERVATION**

The Department of Environmental Conservation is the state regulatory agency responsible for protection of public health and the environment through safe handling of oil and hazardous substances, air and water quality, safe drinking water and wastewater, and food safety and sanitation in public facilities. Through partnerships with Alaska citizens, businesses, and communities, the department works to safely manage and reduce pollution and hazards. DEC services include financial and technical assistance to communities for upgrading water, sewage and solid waste, and permitting based on risk to public health and environment. The department also offers assistance to Alaska cities to meet health-based standards for air quality and to position oil spill response equipment in communities.

## **FISH AND GAME**

The Alaska Department of Fish Game's mission is to protect, maintain, and improve the fish, game, and aquatic plant resources of the state, and manage their use and development for the maximum benefit of the people of the state, consistent with the sustained yield principle mandated in the Alaska Constitution. The commissioner and the department conduct management and research functions necessary to support this mission.

The Boards of Fisheries and Game are responsible for adopting regulations to conserve and develop the state's fish and wildlife resources. The Commercial Fisheries Entry Commission is a quasi-judicial agency that promotes resource conservation and sustained yield management by regulating entry into Alaska's commercial fisheries. The department also includes the Exxon Valdez Oil Spill Trustee Council, which oversees restoration of the injured ecosystem through the use of the \$900 million civil settlement.

## **HEALTH AND SOCIAL SERVICES**

The Department of Health and Social Services is the lead state agency with statutory and regulatory authority for the health and well-being of Alaskans. In 2003 the Department implemented the largest reorganization in its 85-year history, integrating health and social services delivery to better serve customers, to get maximum benefit from State funds invested in the Department, and to increase Federal funding of health and social services.

The Department's mission is to promote and protect the health and well-being of Alaskans. The key principles of the Department in delivery of programs and services are to promote self-sufficiency and healthy behaviors, provide a safety net for those unable to provide for themselves, and promote access to health care.

The Department's primary services include facilitation of child protection, foster care, child health, youth corrections and juvenile justice, public health, behavioral health, pioneers' and veterans homes, assistance for Alaska seniors and individuals experiencing

disabilities, and assistance to low-income Alaskans to help them become as economically self-sufficient as possible.

## **LABOR AND WORKFORCE DEVELOPMENT**

The Department of Labor and Workforce Development is responsible for advancing opportunities for employment and insuring that employers provide safe and legal working conditions. The department is also responsible for employment services, unemployment insurance, adult basic education, job training, workers' compensation, the Fisherman's Fund, and vocational rehabilitation for people with disabilities. In addition, the department enforces laws and regulations dealing with occupational safety and health, mechanical inspections, and wage and hour administration; serves as the labor relations agency for public employment in the state; and collects, analyzes, and releases labor market and population statistics. Also included in the Department is the Alaska Workforce Investment Board and the Alaska Vocational Technical Center.

## **LAW**

Responsible for prosecution and conviction of criminal offenders in Alaska to ensure safe communities. Assists law enforcement agencies with criminal investigations, filing misdemeanor and felony charges; serves as legal advisor to grand juries; and represents the state in all phases of criminal trial and appellate proceedings. Works in partnership with executive, legislative, and judicial agencies by providing legal advice and representing the state in all actions in which it is a party. Such actions include protecting Alaska's children and youth by handling child abuse, neglect, and delinquency cases expeditiously; resolving questions of state versus federal control of natural resources; ensuring that the state receives its correct share of oil and gas taxes and royalties; collecting money owed to the state by businesses and individuals for child support, fines, and other unpaid obligations; and defending the state against claims for personal injury and other damages.

## **MILITARY AND VETERANS AFFAIRS**

The Department of Military and Veterans Affairs is responsible for the Alaska Army and Air National Guard, the Division of Homeland Security and Emergency Management, the Alaska Statewide Emergency Communications Office, the Office of Veterans Affairs, Alaska Military Youth Academy, and the Alaska State Defense Force and Alaska Naval Militia. The Commissioner serves as the Adjutant General of the State of Alaska and exercises day to day command over the Alaska National Guard comprised of approximately 4,000 Army and Air guardsmen. The strategic mission includes the responsibility for protecting lives and property from terrorism and all other hazards, and to provide rapid recovery from all disasters through the Division of Homeland Security and Emergency Management. Additionally, statewide emergency communications enhancement projects in support of the department's mission include Alaska Land Mobile Radio, Alaska Aviation Safety Program, and Statewide Digital Mapping. The department is also responsible for managing the Alaska Military Youth Academy which is an accredited special purpose school offering the ChalleNge and STARBASE programs to both high school and elementary school aged students. Lastly, the department serves as an advocate on issues affecting Alaska's veteran population.

## **NATURAL RESOURCES**

Responsible for the use, development, and conservation of the surface and subsurface natural resources belonging to the state, except for fish and game. These include approximately 91 million acres of uplands and 69 million acres of tidelands, shorelands, and submerged

lands and about 40,000 miles of coastline. The strategic missions include: develop, conserve, and enhance the natural resources of the State of Alaska; raise public awareness that Alaska's natural resources are the basic asset of our economy; stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic values; implement efficiencies and economies in government; deliver essential services; and stimulate local initiative and personal responsibility.

Operationally, the department manages seven divisions located in 34 Alaska communities, the Joint Pipeline Office, the Office of Habitat Management and Permitting, the Office of Project Management and Permitting, the Natural Resource Conservation and Development Board, and the Mental Health Trust Land Office. The department is responsible for the two largest oil and gas fields in North America; a park system that contains one-third of all the state park lands in the United States; 40 percent of the nation's fresh water; fire suppression management over 134 million acres; forest resource management in two state forests totaling 2 million acres; mineral management involving 36,000 mining claims; and an agricultural program that encompasses 560 farms.

## **PUBLIC SAFETY**

Responsible for enforcement of state laws including criminal and fish and wildlife protection laws, fire prevention, search and rescue, highway safety and alcoholic beverage laws; providing forensic crime laboratory services to law enforcement statewide; certifying police proficiency; providing basic police academy and specialized training to municipal and state law enforcement agencies; oversight of the Village Public Safety Officer Program; and assisting victims of domestic violence and sexual assault.

## **REVENUE**

Administer and enforce tax and charitable gaming laws; collect, invest, and manage state funds and public employee pension trust funds; administer the Permanent Fund Dividend, Shared Taxes and Child Support Services programs; administer licensing programs mandated by statute; issue state general obligation, revenue and lease debt, and authorize certain agency debt. Other state entities associated with the Department of Revenue for administrative purposes are: Alaska Permanent Fund Corporation, Alaska Housing Finance Corporation, Alaska Municipal Bond Bank Authority, Alaska Mental Health Trust Authority, Alaska State Pension Investment Board, Alaska Natural Gas Development Authority, and the State Bond Committee.

## **TRANSPORTATION AND PUBLIC FACILITIES**

The department is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes approximately 260 state-owned airports and seaplane bases, 6,000 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 47 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 31 Alaskan communities with connections to Bellingham and Prince Rupert. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of 7,800 light and heavy-duty vehicles and attachments for state departments, agencies and offices.



# ALASKA STATE LEGISLATURE

## Twenty-Fourth Legislature, First Session (2005)

| Senate District | Senator (Party)     | City        | House District | Representative (Party)         | City        |
|-----------------|---------------------|-------------|----------------|--------------------------------|-------------|
| A               | Bert Stedman (R)    | Sitka       | 1              | Jim Elkins (R)                 | Ketchikan   |
|                 |                     |             | 2              | Peggy Wilson (R)               | Wrangell    |
| B               | Kim Elton (D)       | Juneau      | 3              | Beth Kerttula (D)              | Juneau      |
|                 |                     |             | 4              | Bruce Weyhrauch (R)            | Juneau      |
| C               | Albert Kookesh (D)  | Angoon      | 5              | William "Bill" Thomas, Jr. (R) | Haines      |
|                 |                     |             | 6              | Woodie Salmon (D)              | Beaver      |
| D               | Ralph Seekins (R)   | Fairbanks   | 7              | Michael "Mike" Kelly (R)       | Fairbanks   |
|                 |                     |             | 8              | David Guttenberg (D)           | Fairbanks   |
| E               | Gary Wilken (R)     | Fairbanks   | 9              | Jim Holm (R)                   | Fairbanks   |
|                 |                     |             | 10             | Jay Ramras (R)                 | Fairbanks   |
| F               | Gene Therriault (R) | North Pole  | 11             | John Coghill (R)               | North Pole  |
|                 |                     |             | 12             | John Harris (R)                | Valdez      |
| G               | Lyda Green (R)      | Wasilla     | 13             | Carl Gatto (R)                 | Palmer      |
|                 |                     |             | 14             | Vic Kohring (R)                | Wasilla     |
| H               | Charlie Huggins (R) | Wasilla     | 15             | Mark Neuman (R)                | Wasilla     |
|                 |                     |             | 16             | Bill Stoltze (R)               | Chugiak     |
| I               | Fred Dyson (R)      | Eagle River | 17             | Pete Kott (R)                  | Eagle River |
|                 |                     |             | 18             | Nancy Dahlstrom (R)            | Anchorage   |
| J               | Gretchen Guess (D)  | Anchorage   | 19             | Tom Anderson (R)               | Anchorage   |
|                 |                     |             | 20             | Max Gruenberg (D)              | Anchorage   |
| K               | Bettye Davis (D)    | Anchorage   | 21             | Harry Crawford (D)             | Anchorage   |
|                 |                     |             | 22             | Sharon Cissna (D)              | Anchorage   |
| L               | Johnny Ellis (D)    | Anchorage   | 23             | Les Gara (D)                   | Anchorage   |
|                 |                     |             | 24             | Berta Gardner (D)              | Anchorage   |
| M               | Hollis French (D)   | Anchorage   | 25             | Eric Croft (D)                 | Anchorage   |
|                 |                     |             | 26             | Ethan Berkowitz (D)            | Anchorage   |
| N               | Ben Stevens (R)     | Anchorage   | 27             | Norman Rokeberg (R)            | Anchorage   |
|                 |                     |             | 28             | Lesil McGuire (R)              | Anchorage   |
| O               | John Cowdery (R)    | Anchorage   | 29             | Ralph Samuels (R)              | Anchorage   |
|                 |                     |             | 30             | Kevin Meyer (R)                | Anchorage   |
| P               | Con Bunde (R)       | Anchorage   | 31             | Bob Lynn (R)                   | Anchorage   |
|                 |                     |             | 32             | Mike Hawker (R)                | Anchorage   |
| Q               | Thomas Wagoner (R)  | Kenai       | 33             | Kurt Olson (R)                 | Soldotna    |
|                 |                     |             | 34             | Mike Chenault (R)              | Nikiski     |
| R               | Gary Stevens (R)    | Kodiak      | 35             | Paul Seaton (R)                | Homer       |
|                 |                     |             | 36             | Gabrielle LeDoux (R)           | Kodiak      |
| S               | Lyman Hoffman (D)   | Bethel      | 37             | Carl Moses (D)                 | Unalaska    |
|                 |                     |             | 38             | Mary Kapsner (D)               | Bethel      |
| T               | Donny Olson (D)     | Nome        | 39             | Richard Foster (D)             | Nome        |
|                 |                     |             | 40             | Reggie Joule (D)               | Kotzebue    |

### LEADERSHIP

**STATE SENATE**  
Ben Stevens, Senate President

**HOUSE OF REPRESENTATIVES**  
John Harris, House Speaker

### FINANCE COMMITTEES

**STATE SENATE**  
Lyda Green, Co-Chair  
Gary Wilken, Co-Chair  
Con Bunde, Vice-Chair

**HOUSE OF REPRESENTATIVES**  
Mike Chenault, Co-Chair  
Kevin Meyer, Co-Chair  
Bill Stoltze, Vice-Chair

**Members:**  
Fred Dyson, Lyman Hoffman,  
Donny Olson, and Bert Stedman

**Members:**  
Eric Croft, Richard Foster, Mike Hawker,  
Jim Holm, Reggie Joule, Mike Kelly,  
Carl Moses, and Bruce Weyhrauch



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# Financial Section

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Independent Auditor's Report

Citizens of the State of 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 State of Alaska, as of and for the year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska'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 Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and the Component Units, except for the Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the government-wide financial statements and total assets, fund balances and revenues or additions to the fund financial statements as follows:

| <u>Government-wide Financial Statements</u>              | <u>Percent of Assets</u> | <u>Percent of Net Assets/<br/>Fund Balance</u> | <u>Percent of Revenues</u> |
|--|--------------------------|--|----------------------------|
| Primary Government – Governmental Activities             | 78%                      | 77%  | 35%                        |
| Component Units  | 95%                      | 91%  | 96%                        |
| <u>Fund Financial Statements</u>                         |                          |  |                            |
| Governmental Funds – Alaska Permanent Fund               | 100%                     | 100%   | 100%                       |
| Fiduciary Funds – Pension and Other Employee Trust Funds | 100%                     | 100%   | 100%                       |
| Component Units  | 95%                      | 91%  | 96%                        |

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 those component units and funds, is based on the reports of 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to in the first paragraph 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, and the aggregate remaining fund information of the State of 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 described in Note 3, the State of Alaska has, as of June 30, 2005, retroactively reported major general infrastructure assets, as allowed by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, as amended and interpreted.

The management's discussion and analysis, budgetary comparison schedule, and the corresponding notes as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principals generally accepted in the United States of America. We and the other auditors 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, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements. The introduction, combining fund statements, other supplementary information, and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and other supplementary information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Pat Davidson, CPA  
Legislative Auditor

November 30, 2005

# STATE OF ALASKA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the State of Alaska, we offer readers of the state's financial statements this narrative overview and analysis of the financial activities of the state for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the preceding pages of this report, and the financial statements that follow.

## **Financial Highlights**

### **Government-wide**

- The assets of the state exceeded its liabilities at the close of FY 05 by \$40.1 billion (net assets). Of this amount, \$5.1 billion is invested in capital assets, \$29.4 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$28.5 billion), and unrestricted net assets are \$5.5 billion. Unrestricted net assets may be used to meet the state's ongoing obligations to citizens and creditors.
- The state's total net assets increased by \$4 billion. This increase is primarily attributable to higher taxes and royalties from petroleum production and interest and investment income of the Alaska Permanent Fund. See page vi for a discussion of the Alaska Permanent Fund.

### **Fund level**

- As of the close of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$34.7 billion, with \$355 million unreserved fund balance and a fund balance reserved for specific purposes of \$34.4 billion. The Alaska Permanent Fund principal is \$28.5 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the General Fund) is \$5.2 billion, with the balance reserved for encumbrances, debt, and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was a deficit of \$1.3 billion.

### **Long-term debt**

- The state's total long-term debt decreased by \$39 million (2 percent) during the current fiscal year. The key factors in this decrease are the principal payment on general obligation bonded debt, plus deferred revenues and advance activity.

## **Overview of the Financial Statements**

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the state's basic financial statements. The state's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements (reporting on the state as a whole)**

The government-wide financial statements are designed to provide readers with a broad overview of the state's finances, in a manner similar to a private-sector business. It includes all of the state's funds and component units except for fiduciary funds. However, the primary focus of the statements is clearly on the state and the presentation allows the user to address the relative relationship with the discretely presented component units.

The statement of net assets presents information on all of the state's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets should serve as a useful indicator of whether the financial position of the state 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. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report three activities:

- **Governmental Activities** – Most of the state's basic services are reported in this category. Governmental activities are principally supported by taxes and intergovernmental revenues. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- **Business-type Activities** – The state charges fees to customers to help it cover all or most of the cost of certain services it provides. The state's International Airports Fund, the various loan funds, and the Unemployment Compensation fund are examples of business-type activities.
- **Discretely Presented Component Units** – Component units are legally separate organizations for which the state is financially accountable. The state has one university and nine corporations and authorities that are reported as discretely presented component units of the state.

The government-wide financial statements are statement numbers 1.01 and 1.02.

This report includes two statements (statement numbers 1.12 and 1.14) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting.

- Capital assets (land, buildings, equipment, infrastructure, and construction in progress) used in governmental activities are not reported in governmental fund statements.
- Internal service funds are reported as governmental activities in the government-wide financial statements, but are reported as proprietary funds in the fund financial statements.
- Unless due and payable in the current period, certain long-term liabilities such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets in the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bonds and note proceeds result in liabilities in the government-wide statements, but are recorded as other financing sources in the governmental fund statements.

#### **Fund Financial Statements (reporting on the state's major funds)**

The fund financial statements are statement numbers 1.11 through 1.42 and provide detailed information about the major individual funds. The state has three major funds, the General Fund, the Alaska Permanent Fund, which are included in the governmental funds' statements, and the International Airports Fund, which is included in the business-type activities funds' 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 State of Alaska, 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 state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. We have also included the discretely presented component units in the fund financial statements and include detailed information on the three major component units, the University of Alaska, Alaska Housing Finance Corporation, and Alaska Industrial Development and Export Authority.

**Governmental funds** – Most of the state's basic services are reported in the governmental funds. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Governmental fund financial statement focus is 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 whether there are more or fewer financial resources that can be spent in the near future to finance the state's programs. These funds are reported using modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund financial statements are statement numbers 1.11 through 1.14.

As mentioned earlier, the state has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 96.5 percent of total government-wide cash and investments and 84.9 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.



The state's main operating fund is the General Fund. However, the state maintains many accounts and subfunds within the General Fund, including the Constitutional Budget Reserve Fund, the Permanent Fund Dividend Fund, and the Public Education Fund. Because of materiality and public interest in these funds, individual fund data for each of these subfunds is provided in the combining statement for the General Fund elsewhere in this report.

**Proprietary funds** - When the state charges customers for the services it provides, whether to outside customers or to other state agencies, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize accrual accounting, the same method used by private-sector businesses. Enterprise funds are used to report activities that provide supplies and services to the general public. The state uses enterprise funds to account for activities such as international airports operations, various loan funds, and the unemployment compensation fund. These activities are reported within business-type activities on the government-wide financial statements.

Internal service funds account for activities that provide supplies and services for other state programs. These include, among others, the state's equipment fleet and data processing/telecommunications. Because these services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska with 5.7 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

**Fiduciary funds** - The state acts as a trustee or fiduciary for its employee pension plans. In addition, it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The state's fiduciary activities are reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These funds, which include pension (and other employee benefit) and agency funds, are reported using accrual accounting. Since fiduciary assets are restricted in purpose and are not available to support the state's own programs, these fiduciary assets are not presented as part of the government-wide financial statements.

The fiduciary fund financial statements are statement numbers 1.31 and 1.32.

### **Notes to the Basic 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 basic financial statements can be found immediately following the component unit statement of activities (statement number 1.42).

### **Additional Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison schedule for the General Fund reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end (statement number 2.01).

### **Other Supplementary Information**

Other supplementary information includes combining financial statements for nonmajor governmental, proprietary, and fiduciary funds, as well as nonmajor discretely presented component units. These nonmajor funds are added together by fund type and presented in single columns in the basic financial statements, but are not reported individually on the fund financial statements. Only the major funds, the General Fund, the Alaska Permanent Fund, and the International Airports Fund are presented individually on the fund financial statements. Schedules of revenues, expenditures and changes in fund balances – budget and actual are also presented for all governmental funds with annually adopted budgets.

### **Government-wide Financial Analysis**

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by \$40.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (74.8 percent) reflects its investments held in the Alaska Permanent Fund. This increase for the Alaska

Permanent Fund is mainly attributable to the financial markets, in particular a significant gain in international markets and real estate, and an increase in securities lending collateral. However, the majority of these assets are not available for future spending since the principal of the fund (\$28.5 billion) may not be spent.

The remainder of the state's net assets (25.2 percent) represents amounts invested in capital assets net of related debt (\$5.1 billion), resources that are subject to external restrictions of how they may be used (\$1.0 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$4.1 billion).

**Net Assets**  
(Stated in millions)

|                                     | Governmental<br>Activities |                  | Business-type<br>Activities |                 | Total<br>Primary Government |                  |
|-------------------------------------|----------------------------|------------------|-----------------------------|-----------------|-----------------------------|------------------|
|                                     | FY 05                      | FY 04            | FY 05                       | FY 04           | FY 05                       | FY 04            |
| Current and Other Noncurrent Assets | \$ 41,392                  | \$ 33,596        | \$ 957                      | \$ 932          | \$ 42,349                   | \$ 34,528        |
| Capital Assets                      | 5,041                      | 4,264            | 775                         | 702             | 5,816                       | 4,966            |
| <b>Total Assets</b>                 | <b>46,433</b>              | <b>37,860</b>    | <b>1,732</b>                | <b>1,634</b>    | <b>48,165</b>               | <b>39,494</b>    |
| Long-term Liabilities               | 1,295                      | 1,324            | 417                         | 427             | 1,712                       | 1,751            |
| Other Liabilities                   | 6,362                      | 1,618            | 22                          | 18              | 6,384                       | 1,636            |
| <b>Total Liabilities</b>            | <b>7,657</b>               | <b>2,942</b>     | <b>439</b>                  | <b>445</b>      | <b>8,096</b>                | <b>3,387</b>     |
| Net Assets:                         |                            |                  |                             |                 |                             |                  |
| Invested in Capital Assets,         |                            |                  |                             |                 |                             |                  |
| Net of Related Debt                 | 4,655                      | 3,922            | 484                         | 451             | 5,139                       | 4,373            |
| Restricted                          | 28,936                     | 26,929           | 467                         | 430             | 29,403                      | 27,359           |
| Unrestricted                        | 5,185                      | 4,067            | 342                         | 308             | 5,527                       | 4,375            |
| <b>Total Net Assets</b>             | <b>\$ 38,776</b>           | <b>\$ 34,918</b> | <b>\$ 1,293</b>             | <b>\$ 1,189</b> | <b>\$ 40,069</b>            | <b>\$ 36,107</b> |

The net assets of governmental activities increased \$3,162 million and business-type activities increased \$104 million, before prior period adjustments and restatements. The increase for governmental activities is primarily due to higher petroleum revenues and the increase in Alaska Permanent Fund net assets. The increase in business-type activities is primarily due to the increase in net assets of the International Airports, Alaska Clean Water, and Alaska Drinking Water funds (enterprise funds) resulting from capital contributions and a reduction in benefits paid by the Unemployment Compensation Fund.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the state's net assets changed during FY 05.

|   | <b>Changes in Net Assets</b> |                  |                             |                 |                             |                  |
|---|------------------------------|------------------|-----------------------------|-----------------|-----------------------------|------------------|
|   | (Stated in millions)         |                  |                             |                 |                             |                  |
|   | Governmental<br>Activities   |                  | Business-type<br>Activities |                 | Total Primary<br>Government |                  |
|   | FY 05                        | FY 04            | FY 05                       | FY 04           | FY 05                       | FY 04            |
| <b>Revenues</b>                           |                              |                  |                             |                 |                             |                  |
| Program Revenues                          |                              |                  |                             |                 |                             |                  |
| Charges for Services                      | \$ 2,220                     | \$ 1,678         | \$ 258                      | \$ 247          | \$ 2,478                    | \$ 1,925         |
| Operating Grants                          | 1,401                        | 1,422            | 17                          | 13              | 1,418                       | 1,435            |
| Capital Grants                            | 642                          | 625              | 84                          | 80              | 726                         | 705              |
| General Revenues                          |                              |                  |                             |                 |                             |                  |
| Taxes                                     | 1,794                        | 1,275            | -                           | -               | 1,794                       | 1,275            |
| Interest and Investment earnings          | 2,841                        | 3,562            | 5                           | 1               | 2,846                       | 3,563            |
| Payments In from Component Units          | 121                          | 59               | -                           | -               | 121                         | 59               |
| Other Revenues                            | 41                           | 82               | 1                           | -               | 42                          | 82               |
| <b>Total Revenues</b>                     | <b>9,060</b>                 | <b>8,703</b>     | <b>365</b>                  | <b>341</b>      | <b>9,425</b>                | <b>9,044</b>     |
| <b>Expenses</b>                           |                              |                  |                             |                 |                             |                  |
| General Government                        | 255                          | 228              | -                           | -               | 255                         | 228              |
| Alaska Permanent Fund Dividend            | 552                          | 660              | -                           | -               | 552                         | 660              |
| Education and University                  | 1,388                        | 1,318            | -                           | -               | 1,388                       | 1,318            |
| Health and Human Services                 | 1,832                        | 1,661            | -                           | -               | 1,832                       | 1,661            |
| Law and Justice                           | 148                          | 131              | -                           | -               | 148                         | 131              |
| Public Protection                         | 518                          | 421              | -                           | -               | 518                         | 421              |
| Natural Resources                         | 243                          | 225              | -                           | -               | 243                         | 225              |
| Development                               | 130                          | 128              | -                           | -               | 130                         | 128              |
| Transportation                            | 762                          | 393              | -                           | -               | 762                         | 393              |
| Intergovernmental                         | 43                           | 52               | -                           | -               | 43                          | 52               |
| Debt Service                              | -                            | 33               | -                           | -               | -                           | 33               |
| Interest Expense                          | 32                           | -                | -                           | -               | 32                          | -                |
| Loans                                     | -                            | -                | 9                           | 5               | 9                           | 5                |
| Unemployment Compensation                 | -                            | -                | 148                         | 185             | 148                         | 185              |
| Airports                                  | -                            | -                | 99                          | 82              | 99                          | 82               |
| <b>Total Expenses</b>                     | <b>5,903</b>                 | <b>5,250</b>     | <b>256</b>                  | <b>272</b>      | <b>6,159</b>                | <b>5,522</b>     |
| Excess (Deficiency) of Revenues           | 3,157                        | 3,453            | 109                         | 69              | 3,266                       | 3,522            |
| Over Expenditures                         |                              |                  |                             |                 |                             |                  |
| Transfers                                 | 5                            | 4                | (5)                         | (4)             | -                           | -                |
| Special Items:                            |                              |                  |                             |                 |                             |                  |
| ITBE/ASTF Liquidation                     | -                            | 5                | -                           | -               | -                           | 5                |
| Change in Net Assets                      | 3,162                        | 3,462            | 104                         | 65              | 3,266                       | 3,527            |
| Net Assets - Beginning of Year            | 34,918                       | 31,648           | 1,189                       | 1,128           | 36,107                      | 32,776           |
| Prior Period Adjustment                   | (925)                        | (192)            | -                           | (4)             | (925)                       | (196)            |
| Restatement for Historical Infrastructure | 1,621                        | -                | -                           | -               | 1,621                       | -                |
| <b>Net Assets - End of Year</b>           | <b>\$ 38,776</b>             | <b>\$ 34,918</b> | <b>\$ 1,293</b>             | <b>\$ 1,189</b> | <b>\$ 40,069</b>            | <b>\$ 36,107</b> |

Financial Analysis of the State's Funds

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

**Governmental funds.** The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state'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 state's governmental funds reported combined ending fund balances of \$34.7 billion, an increase of \$3,084 million in comparison with the prior year. This increase is a combination of the Alaska Permanent Fund investments and the increase within the General Fund from petroleum revenues. The unreserved fund balance, which is normally available for spending at the government's discretion was a balance of \$355 million, consisting of a deficit of \$1.3 billion in the General Fund, \$1,440 million in the Alaska Permanent Fund (earnings reserve account), \$127 million in capital projects funds, and \$86 million for other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the Alaska Permanent Fund (\$28.5 billion), 2) for the Constitutional Budget Reserve Fund (\$5.2 billion), 3) to liquidate contracts and purchase orders of the prior period (\$307 million), or 4) for a variety of other restricted purposes (\$363 million).

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the General Fund was a deficit of \$1.3 billion, while total fund balance reached \$4.1 billion. 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 fund expenditures. Unreserved fund balance, which is a deficit, represents 23 percent of total General Fund expenditures, while total fund balance represents 74 percent of that same amount.

The fund balance of the state's General Fund increased by \$630 million during the current fiscal year. The key factor in this increase is higher oil prices resulting in increased taxes and royalties. Most of this surplus was designated with the establishment of the Public Education Fund during FY 05. Ultimately, \$35 million in borrowing from the Constitutional Budget Reserve Fund was necessary to address the negative unreserved, undesignated fund balance in the wake of the court ruling on the Fairshare program described below.

General Fund revenues for FY 05 were \$5.6 billion, an increase of \$968 million compared to revenues of \$4.7 billion for FY 04. Revenues by source for FY 05 are compared to FY 04 in the following schedule (in millions):

| <u>Revenue Source</u>          | <u>FY 05</u>      | <u>Percent</u> | <u>FY 04</u>      | <u>Percent</u> |
|--------------------------------|-------------------|----------------|-------------------|----------------|
| Taxes                          | \$ 1,734.5        | 30.8%          | \$ 1,242.6        | 26.6%          |
| Rents and Royalties            | 1,435.9           | 25.4%          | 1,068.6           | 22.8%          |
| Interest and Investment Income | 147.4             | 26.0%          | 73.8              | 1.6%           |
| Federal                        | 1,924.9           | 34.1%          | 1,918.6           | 41.0%          |
| Miscellaneous                  | 404.9             | 7.1%           | 376.0             | 8.0%           |
| Total Revenue                  | <u>\$ 5,647.6</u> | <u>123.4%</u>  | <u>\$ 4,679.6</u> | <u>100.0%</u>  |

The primary components of this revenue increase are petroleum-related taxes and royalties (\$814 million).

### **Alaska Permanent Fund**

The fund is an asset of the State of Alaska that is managed by the Alaska Permanent Fund Corporation, an instrumentality of the State of Alaska.

In 1976 the Alaska constitution was amended to provide that: *At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state shall be placed in a Permanent Fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for Permanent Fund investments. All income from the Permanent Fund shall be deposited in the General Fund unless otherwise provided by law.*

The fund is made up of two parts.

- **Reserved Net Assets:** The fund reserved net assets, or principal, includes the contributions and appropriations, which are the main body of the trust. At June 30, 2005, this amounted to \$24.6 billion. The sources of contributions and appropriations of the fund were as follows: \$8.6 billion in dedicated mineral revenues; \$9.0 billion of fund

realized earnings added to principal for inflation proofing; and \$7.0 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved assets of the fund (see 2003 Attorney General Opinion, June 18; 663-03-0153). The balance of the unrealized appreciation at the end of the fiscal year amounted to \$3.9 billion.

- **Unreserved Net Assets:** The fund unreserved net assets, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2005, realized earnings have amounted to \$28.7 billion. Of this amount \$13.7 billion has been paid out for dividends, \$9.0 billion has been added to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$0.3 billion has been paid out to the General Fund, and \$1.4 billion remains in the fund in the realized earnings account.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was a \$796 million increase in appropriations (or 7 percent) and can be briefly summarized as follows:

- \$119 million health and human services
- \$136 million allocated to public protection
- \$381 million allocated to transportation
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$208 million was to be funded out of an increase in federal grants in aid, another \$235 million from interagency receipts, with the balance coming from other financing sources.

Budgets for these program areas are difficult to predict. It is not unusual for additional budget authority to be granted when new funding sources become available.

**Capital Assets and Debt Administration**

**Capital assets.** The state's investment (net of related debt) in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$5.1 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 05 totaled \$247 million for governmental activities and \$30 million for business-type activities.

**Capital Assets**  
(net of depreciation, in millions)

|                             | Governmental Activities |                 | Business-type Activities |               | Total Primary Government |                 |
|-----------------------------|-------------------------|-----------------|--------------------------|---------------|--------------------------|-----------------|
|                             | FY 05                   | FY 04           | FY 05                    | FY 04         | FY 05                    | FY 04           |
| Land                        | \$ 680                  | \$ 670          | \$ 30                    | \$ 30         | \$ 710                   | \$ 700          |
| Buildings                   | 675                     | 669             | 434                      | 187           | 1,109                    | 856             |
| Equipment                   | 376                     | 341             | 14                       | 16            | 390                      | 357             |
| Infrastructure              | 1,888                   | 397             | 226                      | 218           | 2,114                    | 615             |
| Construction in Progress    | 1,422                   | 2,187           | 71                       | 251           | 1,493                    | 2,438           |
| <b>Total Capital Assets</b> | <b>\$ 5,041</b>         | <b>\$ 4,264</b> | <b>\$ 775</b>            | <b>\$ 702</b> | <b>\$ 5,816</b>          | <b>\$ 4,966</b> |

In FY 05, the state put into service a new fast ferry, the Chenega. The cost of this ferry was approximately \$37 million accounting for the increase in equipment. The large increase in infrastructure and the decrease in construction in progress result from prior period adjustments and the addition of historical infrastructure implementing the final piece of GASB Statement No. 34. Additional information on the state's capital assets can be found in Note 5 in the notes to the basic financial statements.

**Long-term debt.** At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,088 million. Of this amount, \$463 million was general obligation bonds, and \$213 million comprises revenue bonds issued by the Northern Tobacco Securitization Corporation (NTSC). The general obligation bonds are secured by the full faith, credit, and resources of the state, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The remaining \$412 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation and NTSC bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

**Long-term Debt**  
(Stated in millions)

|                                | Governmental<br>Activities |                 | Business-type<br>Activities |               | Total Primary<br>Government |                 |
|--------------------------------|----------------------------|-----------------|-----------------------------|---------------|-----------------------------|-----------------|
|                                | FY 05                      | FY 04           | FY 05                       | FY 04         | FY 05                       | FY 04           |
| Revenue Bonds Payable          | \$ 213                     | \$ 218          | \$ 412                      | \$ 422        | \$ 625                      | \$ 640          |
| General Obligation Debt        | 463                        | 493             | -                           | -             | 463                         | 493             |
| Notes Payable                  | -                          | 3               | -                           | -             | -                           | 3               |
| Capital Leases Payable         | 148                        | 194             | -                           | -             | 148                         | 194             |
| Deferred Revenues and Advances | 160                        | 194             | 5                           | 5             | 165                         | 199             |
| Certificates of Participation  | 62                         | 30              | -                           | -             | 62                          | 30              |
| Compensated Absences           | 120                        | 117             | -                           | -             | 120                         | 117             |
| Claims and Judgments           | 72                         | 74              | -                           | -             | 72                          | 74              |
| Other Noncurrent Liabilities   | 1                          | 1               | -                           | -             | 1                           | 1               |
| Net Pension Obligation         | 56                         | -               | -                           | -             | 56                          | -               |
| <b>Total</b>                   | <b>\$ 1,295</b>            | <b>\$ 1,324</b> | <b>\$ 417</b>               | <b>\$ 427</b> | <b>\$ 1,712</b>             | <b>\$ 1,751</b> |

The state's total debt decreased by \$39 million (2 percent) during the current fiscal year. This decrease is mainly attributable to the payment of debt. The first principal payments on the General Obligation Bonds were made reducing the outstanding balance. Deferred revenues and advances also dropped as a result of state activities which completed the earnings process. Capital leases and certificates of participation were adjusted to move several obligations to the certificates of participation classification.

Additional information of the state's long-term debt can be found in Note 6 in the notes to the basic financial statements.

**Significant Facts**

- On September 12, 2005, the Ninth Circuit Court of Appeals upheld the federal government's position to deny reimbursement of state claims for the Fairshare program (No. 04-74204). Prior to that court ruling, the state had accrued \$139,730 thousand in federal grants-in-aid receivables through the end of this fiscal year. Anticipated revenues were deferred in the fund financial statements because they were not available to meet current year liabilities. The associated expenditures were not included in the amount transferred from the Constitutional Budget Reserve Fund (CBRF) to the General Fund under appropriation language authorizing borrowing from the CBRF. In light of the recent ruling, this receivable has been written off and the expenditures are recognized as a use of current resources, resulting in current year borrowing from the CBRF.
- In FY 05, the State of Alaska recognized a net pension obligation (NPO) of \$56.5 million, which is the difference between the actuarially determined rate and the contributions actually paid. Although the state paid their required contribution for participating in Public Employee Retirement System (PERS), the contribution rates are based on a capped rate, an annual maximum increase of 5 percent per year. This caused the required rate to be less than the actuarial determined rate, resulting in a NPO for the year.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the State of Alaska at fiscal year end was 6.9 percent, which is lower than the rate a year ago. The United States unemployment rate at fiscal year end was 5.2 percent. The state's average unemployment rate for

FY 05 was 6.9 percent, which compares favorably to the average unemployment rate for FY 04 of 7.6 percent. The five year average (2001 to 2005) was 7.0 percent.

- The state's major source of unrestricted revenue for the General Fund is petroleum related, which makes up 51 percent of total revenue, with federal revenue making up another 34 percent, and the balance coming from other sources. As a result, the state's budget is structured around these two revenue sources. Although oil production has declined, the high price per barrel more than made up for this reduction, resulting in an increase of \$814.4 million in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the state budget.
- FY 05 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 936 thousand barrels per day, which is a 7.3 percent decrease from FY 04 production of 1.010 million barrels. FY 05 production, compared to peak production of 2.049 million barrels per day in FY 88, has dropped by 54.3 percent.

The State of Alaska FY 05 budgeted expenditures do include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$920/resident, total \$552 million in FY 05), and state-operated Pioneer Homes.

### **Requests for Information**

This financial report is designed to provide a general overview of the state's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Alaska, Division of Finance, P.O. Box 110204, Juneau, Alaska, 99811-0204.



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# Basic Financial Statements

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STATE OF ALASKA  
Statement of Net Assets  
Government-wide  
June 30, 2005  
(Stated in Thousands)

STATEMENT 1.01

|   | Primary Government         |                             |               | Component<br>Units |
|---|----------------------------|-----------------------------|---------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |                    |
| <b>ASSETS</b>   |                            |                             |               |                    |
| Cash and Investments                                      | \$ 35,313,364              | \$ 469,599                  | \$ 35,782,963 | \$ 1,790,989       |
| Accounts Receivable - Net                                 | 806,050                    | 18,053                      | 824,103       | 82,520             |
| Interest and Dividends Receivable                         | 126,091                    | 29,339                      | 155,430       | 38,088             |
| Internal Balances   | 33,034                     | (33,034)                    | 0             |                    |
| Due from Primary Government                               |                            |                             | 0             | 8,905              |
| Due from Component Units                                  | 7,186                      |                             | 7,186         | 1,486              |
| Due from Other Governments                                | 365,211                    | 10,212                      | 375,423       | 10,587             |
| Loans, Notes, and Bonds Receivable                        | 15,052                     | 296,016                     | 311,068       | 4,086,299          |
| Inventories   | 14,628                     |                             | 14,628        | 24,743             |
| Repossessed Property                                      |                            | 5,230                       | 5,230         |                    |
| Net Investment in Direct Financing Leases                 |                            |                             | 0             | 304,994            |
| Investments in Projects, Partnerships,<br>or Corporations |                            | 7,986                       | 7,986         | 54,863             |
| Restricted Assets   | 5,674                      | 150,508                     | 156,182       | 1,959,196          |
| Securities Lending Collateral                             | 4,681,305                  | 3,210                       | 4,684,515     | 67,277             |
| Other Assets  | 24,486                     | 396                         | 24,882        | 119,338            |
| Capital Assets:   |                            |                             |               |                    |
| Equipment, Net of Depreciation                            | 375,603                    | 15,095                      | 390,698       | 250,629            |
| Buildings, Net of Depreciation                            | 675,474                    | 433,616                     | 1,109,090     | 605,097            |
| Infrastructure, Net of Depreciation                       | 1,888,164                  | 224,518                     | 2,112,682     | 475,879            |
| Land  | 679,718                    | 29,738                      | 709,456       | 63,488             |
| Construction in Progress                                  | 1,422,295                  | 71,818                      | 1,494,113     | 253,069            |
| Total Assets  | 46,433,335                 | 1,732,300                   | 48,165,635    | 10,197,447         |
| <b>LIABILITIES</b>  |                            |                             |               |                    |
| Accounts Payable and Accrued Liabilities                  | 1,662,558                  | 8,849                       | 1,671,407     | 86,146             |
| Obligations Under Securities Lending                      | 4,681,305                  | 3,210                       | 4,684,515     | 67,277             |
| Due to Primary Government                                 |                            |                             | 0             | 143,834            |
| Due to Component Units                                    | 109                        |                             | 109           | 1,000              |
| Due to Other Governments                                  | 7,310                      | 5,049                       | 12,359        | 22                 |
| Interest Payable  | 10,405                     | 5,068                       | 15,473        | 41,406             |
| Other Current Liabilities                                 | 7                          | 15                          | 22            | 175,263            |
| Long-term Liabilities:                                    |                            |                             |               |                    |
| Portion Due or Payable Within One Year:                   |                            |                             |               |                    |
| Claims, Judgments, and<br>Compensated Absences            | 149,877                    | 54                          | 149,931       | 630                |
| Unearned and Deferred Revenue                             | 134,725                    | 4,423                       | 139,148       | 14,314             |
| Notes, Bonds, and Leases Payable                          | 55,066                     | 12,529                      | 67,595        | 195,161            |
| Other Long-term Debt                                      |                            |                             | 0             | 5,400              |
| Other Noncurrent Liabilities                              | 933                        |                             | 933           | 20,545             |
| Portion Due or Payable After One Year:                    |                            |                             |               |                    |
| Claims, Judgments, and<br>Compensated Absences            | 42,211                     |                             | 42,211        |                    |
| Unearned and Deferred Revenue                             | 25,569                     |                             | 25,569        | 329,805            |
| Notes, Bonds, and Leases Payable                          | 830,463                    | 399,528                     | 1,229,991     | 4,297,557          |
| Other Long-term Debt                                      |                            |                             | 0             | 5,606              |
| Other Noncurrent Liabilities                              | 56,666                     | 243                         | 56,909        | 69,639             |
| Total Liabilities   | 7,657,204                  | 438,968                     | 8,096,172     | 5,453,605          |
| <b>NET ASSETS</b>   |                            |                             |               |                    |
| Invested in Capital Assets,<br>Net of Related Debt        | 4,654,684                  | 483,883                     | 5,138,567     | 1,076,370          |
| Restricted for:   |                            |                             |               |                    |
| Permanent Funds   |                            |                             |               |                    |
| Nonexpendable   | 28,830,850                 |                             | 28,830,850    | 341,992            |
| Expendable  | 9,564                      |                             | 9,564         | 70,405             |
| Education   | 11,319                     |                             | 11,319        | 394,956            |
| Conservation, Environment,<br>and Natural Resources       | 27,023                     |                             | 27,023        |                    |
| Unemployment Compensation                                 |                            | 188,271                     | 188,271       |                    |
| Debt Service  | 12,134                     | 14,545                      | 26,679        | 641,597            |
| Other Purposes  | 45,009                     | 264,788                     | 309,797       | 77,490             |
| Unrestricted  | 5,185,548                  | 341,845                     | 5,527,393     | 2,141,032          |
| Total Net Assets  | \$ 38,776,131              | \$ 1,293,332                | \$ 40,069,463 | \$ 4,743,842       |

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
Statement of Activities  
Government-wide  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 1.02

| FUNCTIONS/PROGRAMS                                 | Expenses     | Program Revenues                               |                                    |                                  |
|--|--------------|--|------------------------------------|----------------------------------|
|  |              | Charges for Services, Royalties and Other Fees | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government:</b>                         |              |  |                                    |                                  |
| Governmental Activities:                           |              |  |                                    |                                  |
| General Government                                 | \$ 254,680   | \$ 20,448                                      | \$ 17,786                          | \$ 8,578                         |
| Alaska Permanent Fund Dividend                     | 552,232      |  |                                    |                                  |
| Education  | 1,143,197    | 2,477  | 182,887                            | 1,105                            |
| University   | 244,927      |  | 29                                 |                                  |
| Health and Human Services                          | 1,832,252    | 30,754   | 935,134                            | 69,568                           |
| Law and Justice                                    | 147,606      | 10,959   | 16,596                             | 157                              |
| Public Protection                                  | 517,875      | 134,817  | 70,012                             | 31,424                           |
| Natural Resources                                  | 242,610      | 1,967,523                                      | 72,389                             | 28,835                           |
| Development  | 129,518      | 4,744  | 74,726                             | 30,678                           |
| Transportation                                     | 762,514      | 48,506   | 5,988                              | 471,965                          |
| Intergovernmental Revenue Sharing                  | 43,039       |  | 15,169                             | 1                                |
| Debt Service                                       | 32,153       |  | 10,188                             |                                  |
| Total Governmental Activities                      | 5,902,603    | 2,220,228                                      | 1,400,904                          | 642,311                          |
| Business-type Activities:                          |              |  |                                    |                                  |
| Loans  | 9,304        | 10,006   | 6,509                              | 20,883                           |
| Unemployment Compensation                          | 147,687      | 148,354  | 10,206                             |                                  |
| Airports   | 99,350       | 99,375   | 770                                | 55,926                           |
| Development  | 155          |  |                                    | 7,440                            |
| Total Business-type Activities                     | 256,496      | 257,735  | 17,485                             | 84,249                           |
| Total Primary Government                           | \$ 6,159,099 | \$ 2,477,963                                   | \$ 1,418,389                       | \$ 726,560                       |
| <b>Component Units:</b>                            |              |  |                                    |                                  |
| University of Alaska                               | \$ 616,371   | \$ 120,753                                     | \$ 198,714                         | \$ 2,599                         |
| Alaska Housing Finance Corporation                 | 336,438      | 207,569  | 51,354                             | 10,368                           |
| Alaska Industrial Development and Export Authority | 52,186       | 43,009   | 883                                | 5,658                            |
| Nonmajor Component Units                           | 384,608      | 202,595  | 76,386                             | 29,313                           |
| Total Component Units                              | \$ 1,389,603 | \$ 573,926                                     | \$ 327,337                         | \$ 47,938                        |

General Revenues:

Taxes:

Severance Taxes  
Selective Sales/Use  
Income Taxes  
Property Taxes  
Other Taxes

Interest and Investment Income  
Tobacco Settlement  
Payments In from Component Units  
Payments In from Primary Government  
Other Revenues

Transfers - Internal Activity

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment

Restatement for Historical Infrastructure

Net Assets - End of Year

The notes to the financial statements are an integral part of this statement.

STATEMENT 1.02

| Net (Expense) Revenue and<br>Changes in Net Assets |                             |                      |                     |
|--|-----------------------------|----------------------|---------------------|
| Primary Government                                 |                             |                      |                     |
| Governmental<br>Activities                         | Business-type<br>Activities | Total                | Component<br>Units  |
| \$ (207,868)                                       | \$                          | \$ (207,868)         | \$                  |
| (552,232)  |                             | (552,232)            |                     |
| (956,728)  |                             | (956,728)            |                     |
| (244,898)  |                             | (244,898)            |                     |
| (796,796)  |                             | (796,796)            |                     |
| (119,894)  |                             | (119,894)            |                     |
| (281,622)  |                             | (281,622)            |                     |
| 1,826,137  |                             | 1,826,137            |                     |
| (19,370)   |                             | (19,370)             |                     |
| (236,055)  |                             | (236,055)            |                     |
| (27,869)   |                             | (27,869)             |                     |
| (21,965)   |                             | (21,965)             |                     |
| <u>(1,639,160)</u>                                 |                             | <u>(1,639,160)</u>   |                     |
|  | 28,094                      | 28,094               |                     |
|  | 10,873                      | 10,873               |                     |
|  | 56,721                      | 56,721               |                     |
|  | 7,285                       | 7,285                |                     |
|  | <u>102,973</u>              | <u>102,973</u>       |                     |
| <u>(1,639,160)</u>                                 | <u>102,973</u>              | <u>(1,536,187)</u>   |                     |
|  |                             |                      | (294,305)           |
|  |                             |                      | (67,147)            |
|  |                             |                      | (2,636)             |
|  |                             |                      | <u>(76,314)</u>     |
|  |                             |                      | <u>(440,402)</u>    |
| 965,431  |                             | 965,431              |                     |
| 186,354  |                             | 186,354              |                     |
| 588,694  |                             | 588,694              |                     |
| 42,912   |                             | 42,912               |                     |
| 10,743   |                             | 10,743               |                     |
| 2,840,596  | 5,154                       | 2,845,750            | 145,270             |
| 21,759   |                             | 21,759               |                     |
| 121,312  |                             | 121,312              | 6,044               |
|  |                             | 0                    | 238,103             |
| 19,294   | 1,356                       | 20,650               | 3,632               |
| 4,968  | (4,968)                     | 0                    |                     |
| <u>4,802,063</u>                                   | <u>1,542</u>                | <u>4,803,605</u>     | <u>393,049</u>      |
| 3,162,903  | 104,515                     | 3,267,418            | (47,353)            |
| 34,917,675   | 1,189,105                   | 36,106,780           | 4,789,430           |
| (924,965)  | (288)                       | (925,253)            | 1,765               |
| 1,620,518  |                             | 1,620,518            |                     |
| <u>\$ 38,776,131</u>                               | <u>\$ 1,293,332</u>         | <u>\$ 40,069,463</u> | <u>\$ 4,743,842</u> |



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# Governmental Funds Financial Statements

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## MAJOR FUNDS

**General Fund** – This fund is the state’s operating fund. It accounts for the financial resources and transactions not accounted for in other funds. A description of the General Fund accounts and subfunds are presented in the Combining Fund Statements.

**Alaska Permanent Fund** – Alaska Constitution, Article IX, Section 15 – Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state shall be placed in the Alaska Permanent Fund.

## NONMAJOR FUNDS

Other nonmajor governmental funds are presented by fund type in the Combining Fund Statements.

**Public School Trust Fund (Fund 34010)** – AS 37.14.110 – Administered by the Departments of Revenue and Natural Resources. The principal consists of the balance of the public school permanent fund on July 1, 1978 and one-half of one percent of the receipts derived from the management of state land. The net income of the fund may be appropriated only for the support of the state public school program.



STATE OF ALASKA  
 Balance Sheet  
 Governmental Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 1.11

|  | General<br>Fund     | Alaska<br>Permanent<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                            |                     |                             |                   |                                |
| Cash and Investments                     | \$ 3,484,303        | \$ 31,054,106               | \$ 722,828        | \$ 35,261,237                  |
| Accounts Receivable - Net                | 240,468             | 527,667                     | 3,915             | 772,050                        |
| Interest and Dividends Receivable        | 4,376               | 120,333                     | 1,382             | 126,091                        |
| Due from Other Funds                     | 613,556             |                             | 687               | 614,243                        |
| Due from Component Units                 | 7,142               |                             | 44                | 7,186                          |
| Due from Other Governments               | 357,321             |                             | 5,829             | 363,150                        |
| Loans, Notes, and Bonds Receivable       | 14,995              |                             | 57                | 15,052                         |
| Inventories                              | 11,240              |                             |                   | 11,240                         |
| Securities Lending Collateral            | 90,678              | 4,569,049                   | 21,354            | 4,681,081                      |
| Other Assets                             | 18,720              |                             | 28                | 18,748                         |
| Total Assets                             | <u>\$ 4,842,799</u> | <u>\$ 36,271,155</u>        | <u>\$ 756,124</u> | <u>\$ 41,870,078</u>           |
| <b>LIABILITIES AND FUND BALANCES</b>     |                     |                             |                   |                                |
| Liabilities:                             |                     |                             |                   |                                |
| Accounts Payable and Accrued Liabilities | \$ 456,241          | \$ 1,181,556                | \$ 12,226         | \$ 1,650,023                   |
| Obligations Under Securities Lending     | 90,678              | 4,569,049                   | 21,354            | 4,681,081                      |
| Due to Other Funds                       | 22,553              | 558,882                     | 15,233            | 596,668                        |
| Due to Component Units                   | 104                 |                             | 5                 | 109                            |
| Due to Other Governments                 | 7,310               |                             |                   | 7,310                          |
| Unearned and Deferred Revenue            | 195,240             |                             | 537               | 195,777                        |
| Other Liabilities                        | 938                 |                             | 322               | 1,260                          |
| Total Liabilities                        | <u>773,064</u>      | <u>6,309,487</u>            | <u>49,677</u>     | <u>7,132,228</u>               |
| Fund Balances:                           |                     |                             |                   |                                |
| Reserved:                                |                     |                             |                   |                                |
| Encumbrances                             | 157,567             |                             | 149,730           | 307,297                        |
| Nonliquid Assets                         | 5,190,938           |                             |                   | 5,190,938                      |
| Debt Service                             |                     |                             | 35,211            | 35,211                         |
| Other Purposes                           | 18,841              | 28,521,819                  | 309,031           | 28,849,691                     |
| Unreserved:                              |                     |                             |                   |                                |
| General Fund                             | (1,297,611)         |                             |                   | (1,297,611)                    |
| Special Revenue Funds                    |                     |                             | 75,991            | 75,991                         |
| Capital Projects Funds                   |                     |                             | 126,963           | 126,963                        |
| Permanent Funds                          |                     | 1,439,849                   | 9,521             | 1,449,370                      |
| Total Fund Balances                      | <u>4,069,735</u>    | <u>29,961,668</u>           | <u>706,447</u>    | <u>34,737,850</u>              |
| Total Liabilities and Fund Balances      | <u>\$ 4,842,799</u> | <u>\$ 36,271,155</u>        | <u>\$ 756,124</u> | <u>\$ 41,870,078</u>           |

The notes to the financial statements are an integral part of this statement.



STATE OF ALASKA  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 Governmental Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 1.12

|  |                             |
|--|-----------------------------|
| <b>Total Fund Balances - Governmental Funds</b>  | <b>\$ 34,737,850</b>        |
| 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. (Note 5)   |                             |
| These assets consist of:   |                             |
| Equipment, net of depreciation   | 290,412                     |
| Buildings, net of depreciation   | 641,682                     |
| Infrastructure, net of depreciation  | 1,888,164                   |
| Land   | 679,718                     |
| Construction in progress   | <u>1,422,295</u>            |
|  | 4,922,271                   |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21) |                             |
|  | 183,139                     |
| Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.   |                             |
|  | 65,152                      |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)  |                             |
| Capital lease obligations  | (146,835)                   |
| Compensated absences   | (117,547)                   |
| Claims and judgments (net of federal reimbursement)  | (69,577)                    |
| Pension benefit obligation   | <u>(55,196)</u>             |
|  | (389,155)                   |
| Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. (Note 6)  |                             |
| Notes and bonds payable  | (737,536)                   |
| Unamortized costs of issuance  | 4,815                       |
| Accrued interest payable   | <u>(10,405)</u>             |
|  | (743,126)                   |
| <b>Net Assets of Governmental Activities</b>   | <b><u>\$ 38,776,131</u></b> |

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 1.13

|  | General<br>Fund     | Alaska<br>Permanent<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------|-------------------|--------------------------------|
| <b>REVENUES</b>                                      |                     |                             |                   |                                |
| Taxes  | \$ 1,734,515        | \$                          | \$ 29,950         | \$ 1,764,465                   |
| Licenses and Permits                                 | 95,946              |                             | 26,942            | 122,888                        |
| Charges for Services                                 | 152,603             |                             | 389               | 152,992                        |
| Fines and Forfeitures                                | 10,926              |                             | 104               | 11,030                         |
| Rents and Royalties                                  | 1,435,932           | 480,498                     | 41,185            | 1,957,615                      |
| Premiums and Contributions                           | 10,605              |                             | 6,548             | 17,153                         |
| Interest and Investment Income                       | 147,376             | 2,694,768                   | 32,140            | 2,874,284                      |
| Federal Grants in Aid                                | 1,924,927           |                             | 26,994            | 1,951,921                      |
| Payments In from Component Units                     | 121,312             |                             |                   | 121,312                        |
| Other Revenues                                       | 13,485              |                             | 17,472            | 30,957                         |
| Total Revenues                                       | <u>5,647,627</u>    | <u>3,175,266</u>            | <u>181,724</u>    | <u>9,004,617</u>               |
| <b>EXPENDITURES</b>                                  |                     |                             |                   |                                |
| Current:   |                     |                             |                   |                                |
| General Government                                   | 211,793             | 47,802                      | 2,001             | 261,596                        |
| Alaska Permanent Fund Dividend                       | 552,232             |                             |                   | 552,232                        |
| Education  | 1,027,453           |                             | 108,563           | 1,136,016                      |
| University   | 237,021             |                             | 7,896             | 244,917                        |
| Health and Human Services                            | 1,743,390           |                             | 5,361             | 1,748,751                      |
| Law and Justice                                      | 139,727             | 1,477                       | 686               | 141,890                        |
| Public Protection                                    | 524,932             |                             | 923               | 525,855                        |
| Natural Resources                                    | 174,306             | 4,977                       | 56,863            | 236,146                        |
| Development  | 120,134             | 300                         | 7,823             | 128,257                        |
| Transportation                                       | 741,726             |                             | 62,820            | 804,546                        |
| Intergovernmental Revenue Sharing                    | 43,081              |                             |                   | 43,081                         |
| Debt Service:  |                     |                             |                   |                                |
| Principal  | 10,295              |                             | 29,275            | 39,570                         |
| Interest and Other Charges                           | 3,567               |                             | 35,422            | 38,989                         |
| Total Expenditures                                   | <u>5,529,657</u>    | <u>54,556</u>               | <u>317,633</u>    | <u>5,901,846</u>               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>117,970</u>      | <u>3,120,710</u>            | <u>(135,909)</u>  | <u>3,102,771</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                             |                   |                                |
| Refunding Bonds Issued                               | 25,725              |                             |                   | 25,725                         |
| Refunding Bond Issue Premium                         | 1,251               |                             |                   | 1,251                          |
| Payment to Refunded Bond Escrow Agent                | (26,858)            |                             |                   | (26,858)                       |
| Capital Leases                                       | 10,751              |                             |                   | 10,751                         |
| Transfers In from Other Funds                        | 573,103             |                             | 31,438            | 604,541                        |
| Transfers (Out to) Other Funds                       | (54,138)            | (558,882)                   | (2,911)           | (615,931)                      |
| Total Other Financing Sources<br>and Uses            | <u>529,834</u>      | <u>(558,882)</u>            | <u>28,527</u>     | <u>(521)</u>                   |
| Net Change in Fund Balances                          | 647,804             | 2,561,828                   | (107,382)         | 3,102,250                      |
| Fund Balances - Beginning of Year                    | 3,439,863           | 27,399,840                  | 813,829           | 31,653,532                     |
| Prior Period Adjustment                              | (17,932)            |                             |                   | (17,932)                       |
| Fund Balances - End of Year                          | <u>\$ 4,069,735</u> | <u>\$ 29,961,668</u>        | <u>\$ 706,447</u> | <u>\$ 34,737,850</u>           |

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
 Reconciliation of the Change in Fund Balances to the Statement of Activities  
 Governmental Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 1.14

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,084,318

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 as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 5). See Note 3 for prior period adjustments (PPA) and restatement.

|  |           |         |
|--|-----------|---------|
| Equipment, net of PPA                      | 37,902    |         |
| Buildings, net of PPA                      | 7,251     |         |
| Infrastructure, net of PPA and restatement | 1,491,420 |         |
| Land                                       | 9,060     |         |
| Construction in progress, net of PPA       | (764,428) |         |
|  |           | 781,205 |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in governmental activities in the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Statement 1.22). See Note 3 for prior period adjustments.

|                          |        |        |
|--------------------------|--------|--------|
| Net current year revenue | 26,711 |        |
| Prior period adjustment  | 215    |        |
|                          |        | 26,926 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. 65,153

Recognize loss per court decision to disallow certain federal revenue under appeal with the federal government that were recognized in prior years on the accrual basis of accounting. (91,959)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

|                                       |          |        |
|---------------------------------------|----------|--------|
| Bond proceeds                         |          |        |
| Refunding bonds issued                | (26,976) |        |
| Accrued interest                      | 6,650    |        |
| Repayment of bond principal           | 39,570   |        |
| Payment to refunded bond escrow agent | 26,858   |        |
| Amortization of bond issue costs      | (203)    |        |
|                                       |          | 45,899 |

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Capital Leases, net of PPA (10,947)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

|                            |          |          |
|----------------------------|----------|----------|
| Claims and judgments       | 2,014    |          |
| Compensated absences       | (4,057)  |          |
| Capital lease payments     | 15,100   |          |
| Pension benefit obligation | (55,196) |          |
|                            |          | (42,139) |

**Change in Net Assets of Governmental Activities** \$ 3,858,456

The notes to the financial statements are an integral part of this statement.



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# Proprietary Funds Financial Statements

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## MAJOR FUND

International Airports Fund (Fund 21602) – AS 37.15.410-550 – Administered by the Department of Transportation and Public Facilities. This fund consists of all revenues, fees, charges, and rentals derived by the state from the ownership, lease, use, and operation of the airports.

## NONMAJOR FUNDS

Nonmajor proprietary funds are presented by fund type in the Combining Fund Statements.



STATE OF ALASKA  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 1.21

|  | Enterprise Funds          |                                 |              | Internal<br>Service Funds |
|--|---------------------------|---------------------------------|--------------|---------------------------|
|  | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total        |                           |
| <b>ASSETS</b>  |                           |                                 |              |                           |
| Current Assets:  |                           |                                 |              |                           |
| Cash and Investments                                     | \$ 120,746                | \$ 348,853                      | \$ 469,599   | \$ 57,801                 |
| Accounts Receivable - Net                                | 12,364                    | 4,661                           | 17,025       | 65                        |
| Interest and Dividends Receivable                        |                           | 4,765                           | 4,765        |                           |
| Due from Other Funds                                     |                           | 431                             | 431          | 19,745                    |
| Due from Other Governments                               | 8,450                     | 1,762                           | 10,212       | 12                        |
| Loans, Notes, and Bonds Receivable                       | 13,000                    | 18,889                          | 31,889       |                           |
| Inventories  |                           |                                 | 0            | 3,388                     |
| Securities Lending Collateral                            | 2,417                     | 793                             | 3,210        | 224                       |
| Other Current Assets                                     |                           |                                 | 0            | 923                       |
| Total Current Assets                                     | 156,977                   | 380,154                         | 537,131      | 82,158                    |
| Noncurrent Assets:                                       |                           |                                 |              |                           |
| Accounts Receivable - Net                                |                           | 1,028                           | 1,028        |                           |
| Interest and Dividends Receivable                        |                           | 24,574                          | 24,574       |                           |
| Loans, Notes, and Bonds Receivable                       |                           | 264,127                         | 264,127      |                           |
| Reposessed Property                                      |                           | 5,230                           | 5,230        |                           |
| Investment in Projects, Partnerships,<br>or Corporations |                           | 7,986                           | 7,986        |                           |
| Restricted Assets  | 150,508                   |                                 | 150,508      |                           |
| Other Noncurrent Assets                                  |                           | 396                             | 396          |                           |
| Capital Assets:  |                           |                                 |              |                           |
| Equipment, Net of Depreciation                           | 15,095                    |                                 | 15,095       | 85,191                    |
| Buildings, Net of Depreciation                           | 433,616                   |                                 | 433,616      | 33,792                    |
| Infrastructure, Net of Depreciation                      | 224,518                   |                                 | 224,518      |                           |
| Land   | 29,738                    |                                 | 29,738       |                           |
| Construction in Progress                                 | 62,193                    | 9,625                           | 71,818       |                           |
| Total Noncurrent Assets                                  | 915,668                   | 312,966                         | 1,228,634    | 118,983                   |
| Total Assets   | 1,072,645                 | 693,120                         | 1,765,765    | 201,141                   |
| <b>LIABILITIES</b>                                       |                           |                                 |              |                           |
| Current Liabilities:                                     |                           |                                 |              |                           |
| Accounts Payable and Accrued Liabilities                 | 1,900                     | 6,949                           | 8,849        | 12,535                    |
| Obligations Under Securities Lending                     | 2,417                     | 793                             | 3,210        | 224                       |
| Due to Other Funds                                       | 30,809                    | 2,656                           | 33,465       | 20                        |
| Due to Other Governments                                 |                           | 5,049                           | 5,049        |                           |
| Interest Payable   | 5,068                     |                                 | 5,068        |                           |
| Claims, Judgments, and<br>Compensated Absences           |                           | 54                              | 54           | 2,915                     |
| Unearned and Deferred Revenue                            | 4,423                     |                                 | 4,423        |                           |
| Notes, Bonds, and Leases Payable                         | 12,529                    |                                 | 12,529       | 650                       |
| Other Current Liabilities                                |                           | 15                              | 15           |                           |
| Total Current Liabilities                                | 57,146                    | 15,516                          | 72,662       | 16,344                    |
| Noncurrent Liabilities:                                  |                           |                                 |              |                           |
| Notes, Bonds, and Leases Payable                         | 399,528                   |                                 | 399,528      | 508                       |
| Other Noncurrent Liabilities                             | 205                       | 38                              | 243          | 1,150                     |
| Total Noncurrent Liabilities                             | 399,733                   | 38                              | 399,771      | 1,658                     |
| Total Liabilities  | 456,879                   | 15,554                          | 472,433      | 18,002                    |
| <b>NET ASSETS</b>  |                           |                                 |              |                           |
| Invested in Capital Assets,<br>Net of Related Debt       | 474,258                   | 9,625                           | 483,883      | 117,825                   |
| Restricted for:  |                           |                                 |              |                           |
| Unemployment Compensation                                |                           | 188,271                         | 188,271      |                           |
| Debt Service   | 14,545                    |                                 | 14,545       |                           |
| Other Purposes   | 9,893                     | 254,895                         | 264,788      |                           |
| Unrestricted   | 117,070                   | 224,775                         | 341,845      | 65,314                    |
| Total Net Assets   | \$ 615,766                | \$ 677,566                      | \$ 1,293,332 | \$ 183,139                |

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 1.22

|   | Enterprise Funds          |                                 |              | Internal<br>Service Funds |
|---|---------------------------|---------------------------------|--------------|---------------------------|
|   | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total        |                           |
| <b>OPERATING REVENUES</b>                         |                           |                                 |              |                           |
| Premiums and Contributions                        | \$                        | \$                              | \$           | \$                        |
| Charges for Goods and Services                    | 98,175                    | 148,354                         | 148,354      | 59,338                    |
| Interest and Investment Income                    |                           | 911                             | 99,086       | 75,104                    |
| Allowance for Uncollectible Interest              |                           | 8,971                           | 8,971        |                           |
| Fines and Forfeitures                             |                           | 565                             | 565          |                           |
| Federal Grants in Aid                             |                           | 128                             | 128          |                           |
| Other Operating Revenues                          | 1,200                     | 7,954                           | 7,954        |                           |
| Total Operating Revenues                          | 99,375                    | 166,883                         | 266,258      | 135,819                   |
| <b>OPERATING EXPENSES</b>                         |                           |                                 |              |                           |
| Benefits  |                           | 143,700                         | 143,700      | 50,535                    |
| Operating   | 61,131                    | 4,370                           | 65,501       | 66,726                    |
| Depreciation                                      | 30,273                    | 90                              | 30,363       | 15,442                    |
| Provision for Loan Losses and Forgiveness         |                           | (2,067)                         | (2,067)      |                           |
| Other Operating Expenses                          |                           | 4,103                           | 4,103        |                           |
| Total Operating Expenses                          | 91,404                    | 150,196                         | 241,600      | 132,703                   |
| Operating Income (Loss)                           | 7,971                     | 16,687                          | 24,658       | 3,116                     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                           |                                 |              |                           |
| Interest and Investment Income                    | 5,163                     | 13,018                          | 18,181       | 742                       |
| Interest and Investment Expense                   | (17,811)                  | (179)                           | (17,990)     | (175)                     |
| Gain (Loss) on Disposal of Capital Assets         |                           | (31)                            | (31)         | (7)                       |
| Other Nonoperating Revenues (Expenses)            | 10,742                    | (176)                           | 10,566       | 235                       |
| Total Nonoperating Revenues (Expenses)            | (1,906)                   | 12,632                          | 10,726       | 795                       |
| Income Before Capital Contributions and Transfers | 6,065                     | 29,319                          | 35,384       | 3,911                     |
| Capital Contributions                             | 55,819                    | 18,280                          | 74,099       | 2,077                     |
| Transfers In from Other Funds                     |                           | 755                             | 755          | 21,946                    |
| Transfers (Out to) Other Funds                    |                           | (5,723)                         | (5,723)      | (1,223)                   |
| Change in Net Assets                              | 61,884                    | 42,631                          | 104,515      | 26,711                    |
| Total Net Assets - Beginning of Year              | 553,882                   | 635,223                         | 1,189,105    | 156,213                   |
| Prior Period Adjustment                           |                           | (288)                           | (288)        | 215                       |
| Total Net Assets - End of Year                    | \$ 615,766                | \$ 677,566                      | \$ 1,293,332 | \$ 183,139                |

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 1.23

|  | Enterprise Funds          |                                 |            | Internal<br>Service Funds |
|--|---------------------------|---------------------------------|------------|---------------------------|
|  | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total      |                           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                           |                                 |            |                           |
| Receipts from Other Governments                                      | \$                        | \$ 1,543                        | \$ 1,543   | \$ 197                    |
| Receipts from Customers  | 96,243                    | 1,281                           | 97,524     | 64,732                    |
| Receipt of Principal from Loan Recipients                            |                           | 32,128                          | 32,128     |                           |
| Receipt of Interest and Fees from Loan Recipients                    |                           | 9,859                           | 9,859      |                           |
| Receipts from Insured  |                           | 149,963                         | 149,963    | 59,347                    |
| Payments to Employees  | (31,920)                  | (794)                           | (32,714)   | (21,268)                  |
| Payments to Suppliers  | (29,112)                  | (1,338)                         | (30,450)   | (43,496)                  |
| Payments to Other Governments  |                           | 295                             | 295        |                           |
| Payments to Loan Recipients  |                           | (41,213)                        | (41,213)   |                           |
| Claims Paid  | (13,118)                  | (141,280)                       | (154,398)  | (50,859)                  |
| Interfund Services Used  |                           | (3,240)                         | (3,240)    |                           |
| Other Receipts   |                           | 399                             | 399        | 1,377                     |
| Other Payments   |                           | (6,527)                         | (6,527)    | (1,615)                   |
| Net Cash Provided (Used) by Operating Activities                     | 22,093                    | 1,076                           | 23,169     | 8,415                     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                           |                                 |            |                           |
| Operating Subsidies and Transfers (Out to) Other Funds               |                           | (6,016)                         | (6,016)    | (1,223)                   |
| Operating Subsidies and Transfers In from Other Funds                |                           | 755                             | 755        | 21,946                    |
| Federal Grants   |                           | 18,280                          | 18,280     |                           |
| Proceeds from Issuance of Short-term Debt                            |                           | 2,602                           | 2,602      |                           |
| Payments on Short-term Debt  |                           | (2,602)                         | (2,602)    |                           |
| Interest and Fees Paid on Borrowing                                  |                           | (3)                             | (3)        |                           |
| Net Cash Provided (Used) by Noncapital Financing Activities          | 0                         | 13,016                          | 13,016     | 20,723                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                           |                                 |            |                           |
| Proceeds from Sale of Capital Assets                                 |                           |                                 | 0          | 843                       |
| Acquisition and Construction of Capital Assets                       | (94,712)                  |                                 | (94,712)   | (9,433)                   |
| Principal Paid on Capital Debt                                       | (10,437)                  |                                 | (10,437)   | (4,339)                   |
| Interest and Fees Paid on Capital Debt                               | (22,909)                  |                                 | (22,909)   | (219)                     |
| Federal Grants   | 54,374                    |                                 | 54,374     |                           |
| Other Receipts (Payments)  | 3,275                     |                                 | 3,275      |                           |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (70,409)                  | 0                               | (70,409)   | (13,148)                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                           |                                 |            |                           |
| Proceeds from Sales/Maturities of Investments                        | 31,746                    |                                 | 31,746     |                           |
| Income from Securities Lending Activities                            | 1,229                     | 189                             | 1,418      |                           |
| Expenses from Securities Lending Activities                          | (209)                     | (175)                           | (384)      |                           |
| Purchase of Investments  | (41,240)                  |                                 | (41,240)   |                           |
| Interest and Dividends on Investments                                | 7,409                     | 12,842                          | 20,251     | 742                       |
| Change in Restricted Cash and Investments                            | 46,750                    |                                 | 46,750     |                           |
| Net Cash Provided (Used) by Investing Activities                     | 45,685                    | 12,856                          | 58,541     | 742                       |
| Net Increase (Decrease) in Cash                                      | (2,631)                   | 26,948                          | 24,317     | 16,732                    |
| Cash and Cash Equivalents - Beginning of Year                        | 18,704                    | 321,905                         | 340,609    | 41,069                    |
| Cash and Cash Equivalents - End of Year                              | \$ 16,073                 | \$ 348,853                      | \$ 364,926 | \$ 57,801                 |

The notes to the financial statements are an integral part of this statement.

This statement continued on next page.



STATE OF ALASKA  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 1.23

|   | Enterprise Funds          |                                 |                   | Internal<br>Service Funds |
|---|---------------------------|---------------------------------|-------------------|---------------------------|
|   | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total             |                           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                           |                                 |                   |                           |
| Operating Income (Loss)   | \$ 7,971                  | \$ 16,687                       | \$ 24,658         | \$ 3,116                  |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                           |                                 |                   |                           |
| Depreciation and Amortization   | 30,273                    | 90                              | 30,363            | 15,443                    |
| Other Reconciling Items   |                           | (221)                           | (221)             |                           |
| Net Changes in Assets and Liabilities:  |                           |                                 |                   |                           |
| Accounts Receivable - Net   | (1,915)                   | 1,680                           | (235)             | 616                       |
| Due from Other Funds  |                           | (272)                           | (272)             | (10,778)                  |
| Due from Component Units  |                           |                                 | 0                 | 5                         |
| Due from Other Governments  |                           | (363)                           | (363)             | (7)                       |
| Loans, Notes and Bonds Receivable - Net   |                           | (11,521)                        | (11,521)          |                           |
| Repossessed Property  |                           | (1,990)                         | (1,990)           |                           |
| Investment in Projects, Partnerships, or Corporations   |                           | 51                              | 51                |                           |
| Securities Lending Collateral   | (2,417)                   | (793)                           | (3,210)           | 47                        |
| Interest and Dividends Receivable - Net   |                           | 390                             | 390               |                           |
| Inventories   |                           |                                 | 0                 | (7)                       |
| Other Assets  |                           | (7,437)                         | (7,437)           | 441                       |
| Due to Other Funds  | (14,346)                  | 1,394                           | (12,952)          | (38)                      |
| Due to Other Governments  |                           | 295                             | 295               |                           |
| Accounts Payable and Accrued Liabilities  | 98                        | 2,866                           | 2,964             | (1,526)                   |
| Obligations Under Securities Lending  | 2,417                     | 793                             | 3,210             | (47)                      |
| Other Liabilities   | 12                        | (573)                           | (561)             | 1,150                     |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 22,093</u>          | <u>\$ 1,076</u>                 | <u>\$ 23,169</u>  | <u>\$ 8,415</u>           |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |                           |                                 |                   |                           |
| Total Cash and Investments per the Statement of Net Assets  | \$ 120,746                | \$ 348,853                      | \$ 469,599        | \$ 57,801                 |
| Less: Investments not Meeting the Definition of Cash or Cash Equivalents                              | (104,673)                 |                                 | (104,673)         |                           |
| Cash, End of Year   | <u>\$ 16,073</u>          | <u>\$ 348,853</u>               | <u>\$ 364,926</u> | <u>\$ 57,801</u>          |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                           |                                 |                   |                           |
| Contributed Capital Assets  |                           |                                 | 0                 | 2,077                     |
| Acquisitions of Capital Assets through Capital Lease  |                           |                                 | 0                 | 792                       |
| Transfers (Out to) Other Funds (Accrual)  |                           | (2,251)                         | (2,251)           |                           |



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# Fiduciary Funds

# Financial Statements

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Individual fund descriptions and financial statements are presented in the Combining Fund Statements.

Pension and Other Employee Benefit Trust Funds  
Agency Funds



STATE OF ALASKA  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 1.31

|   | Pension and Other<br>Employee<br>Benefit Trust Funds | Agency<br>Funds |
|---|--|-----------------|
| <b>ASSETS</b>                                     |  |                 |
| Cash and Cash Equivalents                         | \$ 70,510  | \$ 119,600      |
| Investments                                       | 15,285,481   | 179,150         |
| Investment Loss Trust Fund Assets                 | 1,619  |                 |
| Contributions Receivable                          | 23,052   |                 |
| Securities Lending Collateral                     | 990,750  |                 |
| Due from Other Funds                              |  | 2,299           |
| Other Assets                                      | 2  |                 |
| <b>Total Assets</b>                               | <b>16,371,414</b>                                    | <b>301,049</b>  |
| <b>LIABILITIES</b>                                |  |                 |
| Accounts Payable and Accrued Liabilities          | 58,980   | 2,944           |
| Obligations Under Securities Lending              | 990,750  |                 |
| Trust Deposits Payable                            |  | 298,093         |
| Due to Other Funds                                | 3,119  | 12              |
| <b>Total Liabilities</b>                          | <b>1,052,849</b>                                     | <b>301,049</b>  |
| <b>NET ASSETS</b>                                 |  |                 |
| Held in Trust for:                                |  |                 |
| Pension Benefits                                  | 9,448,047  |                 |
| Postemployment Healthcare Benefits                | 3,494,207  |                 |
| Individuals, Organizations, and Other Governments | 2,376,311  |                 |
| <b>Total Net Assets</b>                           | <b>\$ 15,318,565</b>                                 | <b>\$ 0</b>     |

The notes to the financial statements are an integral part of this statement.

**STATE OF ALASKA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2005**  
**(Stated in Thousands)**

**STATEMENT 1.32**

|   | <u>Pension and Other<br/>Employee<br/>Benefit Trust Funds</u> |
|---|---|
| <b>ADDITIONS</b>  |   |
| Premiums and Contributions:                                     |   |
| Employer  | \$ 607,944  |
| Member  | 297,632   |
| Other   | 4,111   |
| Total Premiums and Contributions                                | <u>909,687</u>  |
| Investment Income:  |   |
| Net Appreciation (Depreciation) in Fair<br>Value of Investments | 821,127   |
| Interest  | 197,752   |
| Dividends   | 209,569   |
| Total Investment Income   | <u>1,228,448</u>  |
| Less Investment Expense   | 48,467  |
| Net Investment Income   | <u>1,179,981</u>  |
| Other Additions   | 13  |
| Total Additions   | <u>2,089,681</u>  |
| <b>DEDUCTIONS</b>   |   |
| Benefits Paid   | 1,334,896   |
| Insurance Premiums  | 4,741   |
| Refunds of Premiums and Contributions                           | 20,963  |
| Administrative Expenses   | 21,870  |
| Total Deductions  | <u>1,382,470</u>  |
| Net Increase (Decrease) in Net Assets Held in<br>Trust for:     |   |
| Pension Benefits  | 320,754   |
| Postemployment Healthcare Benefits                              | 274,874   |
| Individuals, Organizations, and Other Governments               | 111,583   |
| Net Assets - Beginning of the Year                              | 14,611,354  |
| Net Assets - End of the Year                                    | <u>\$ 15,318,565</u>  |

The notes to the financial statements are an integral part of this statement.



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# Component Units Financial Statements

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A description of the individual Component Units is contained in the notes to the financial statements, Note 1A. Nonmajor financial statements are presented in the Combining Fund Statements.





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STATE OF ALASKA  
Statement of Net Assets  
Component Units  
June 30, 2005  
(Stated in Thousands)

STATEMENT 1.41

|   | University<br>of Alaska | Alaska<br>Housing<br>Finance<br>Corporation | Alaska<br>Industrial<br>Development and<br>Export Authority | Nonmajor<br>Component<br>Units | Total        |
|---|-------------------------|---|---|--------------------------------|--------------|
| <b>ASSETS</b>   |                         |   |   |                                |              |
| Cash and Investments                                      | \$ 62,363               | \$ 535,499                                  | \$ 373,146  | \$ 819,981                     | \$ 1,790,989 |
| Accounts Receivable - Net                                 | 46,190                  |   | 10  | 36,320                         | 82,520       |
| Interest and Dividends Receivable                         | 196                     | 20,762                                      | 4,899   | 12,231                         | 38,088       |
| Due from Primary Government                               | 8,251                   | 460   | 90  | 104                            | 8,905        |
| Due from Component Units                                  | 75                      | 255   | 1,000   | 156                            | 1,486        |
| Due from Other Governments                                | 1,281                   |   |   | 9,306                          | 10,587       |
| Loans, Notes, and Bonds Receivable                        | 8,137                   | 3,325,182                                   | 326,502   | 426,478                        | 4,086,299    |
| Inventories   | 8,134                   |   |   | 16,609                         | 24,743       |
| Net Investment in Direct Financing Leases                 |                         | 32,843                                      | 272,151   |                                | 304,994      |
| Investments in Projects, Partnerships,<br>or Corporations |                         |   | 54,863  |                                | 54,863       |
| Securities Lending Collateral                             |                         |   | 21  | 67,256                         | 67,277       |
| Restricted Assets   | 237,496                 | 693,685                                     | 111,786   | 916,229                        | 1,959,196    |
| Other Assets  | 69,685                  | 38,174                                      | 4,054   | 7,425                          | 119,338      |
| Capital Assets:   |                         |   |   |                                |              |
| Equipment, Net of Depreciation                            | 137,596                 | 743   |   | 112,290                        | 250,629      |
| Buildings, Net of Depreciation                            | 498,963                 | 74,639                                      | 2,080   | 29,415                         | 605,097      |
| Infrastructure, Net of Depreciation                       | 18,353                  |   |   | 457,526                        | 475,879      |
| Land  | 27,360                  | 13,762                                      | 600   | 21,766                         | 63,488       |
| Construction in Progress                                  | 55,018                  | 26,929                                      |   | 171,122                        | 253,069      |
| Total Assets  | 1,179,098               | 4,762,933                                   | 1,151,202   | 3,104,214                      | 10,197,447   |
| <b>LIABILITIES</b>  |                         |   |   |                                |              |
| Accounts Payable and Accrued Liabilities                  | 35,452                  |   | 847   | 49,847                         | 86,146       |
| Obligations Under Securities Lending                      |                         |   | 21  | 67,256                         | 67,277       |
| Due to Primary Government                                 |                         | 3,007                                       | 469   | 140,358                        | 143,834      |
| Due to Component Units                                    |                         |   |   | 1,000                          | 1,000        |
| Due to Other Governments                                  |                         |   |   | 22                             | 22           |
| Interest Payable  |                         | 14,147                                      | 5,218   | 22,041                         | 41,406       |
| Other Current Liabilities                                 | 35,123                  | 138,375                                     | 870   | 895                            | 175,263      |
| Long-term Liabilities:                                    |                         |   |   |                                |              |
| Portion Due or Payable Within One Year:                   |                         |   |   |                                |              |
| Claims, Judgments, and<br>Compensated Absences            |                         |   |   | 630                            | 630          |
| Unearned and Deferred Revenue                             |                         |   |   | 14,314                         | 14,314       |
| Notes, Bonds, and Leases Payable                          | 4,864                   | 90,977                                      | 10,645  | 88,675                         | 195,161      |
| Other Long-term Debt                                      |                         |   |   | 5,400                          | 5,400        |
| Other Noncurrent Liabilities                              | 1,281                   | 19,264                                      |   |                                | 20,545       |
| Portion Due or Payable After One Year:                    |                         |   |   |                                |              |
| Unearned and Deferred Revenue                             | 6,021                   |   |   | 323,784                        | 329,805      |
| Notes, Bonds, and Leases Payable                          | 103,585                 | 2,807,753                                   | 282,425   | 1,103,794                      | 4,297,557    |
| Other Long-term Debt                                      |                         |   |   | 5,606                          | 5,606        |
| Other Noncurrent Liabilities                              | 32,176                  | 6,337                                       | 9,701   | 21,425                         | 69,639       |
| Total Liabilities   | 218,502                 | 3,079,860                                   | 310,196   | 1,845,047                      | 5,453,605    |
| <b>NET ASSETS</b>   |                         |   |   |                                |              |
| Invested in Capital Assets,<br>Net of Related Debt        | 625,727                 | 115,519                                     | (13,252)  | 348,376                        | 1,076,370    |
| Restricted for:   |                         |   |   |                                |              |
| Permanent Funds   |                         |   |   |                                |              |
| Nonexpendable   |                         |   |   | 341,992                        | 341,992      |
| Expendable  |                         |   |   | 70,405                         | 70,405       |
| Education   | 259,342                 |   |   | 135,614                        | 394,956      |
| Debt Service  | 3,105                   | 589,070                                     | 558   | 48,864                         | 641,597      |
| Other Purposes  |                         | 36,218                                      | 4,130   | 37,142                         | 77,490       |
| Unrestricted  | 72,422                  | 942,266                                     | 849,570   | 276,774                        | 2,141,032    |
| Total Net Assets  | \$ 960,596              | \$ 1,683,073                                | \$ 841,006  | \$ 1,259,167                   | \$ 4,743,842 |

The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA  
Statement of Activities  
Component Units  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 1.42

| FUNCTIONS/PROGRAMS                                 | Expenses            | Program Revenues                               |                                    |                                  |
|--|---------------------|--|------------------------------------|----------------------------------|
|  |                     | Charges for Services, Royalties and Other Fees | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Component Units:</b>                            |                     |  |                                    |                                  |
| University of Alaska                               | \$ 616,371          | \$ 120,753                                     | \$ 198,714                         | \$ 2,599                         |
| Alaska Housing Finance Corporation                 | 336,438             | 207,569  | 51,354                             | 10,368                           |
| Alaska Industrial Development and Export Authority | 52,186              | 43,009   | 883                                | 5,658                            |
| Nonmajor Component Units                           | 384,608             | 202,595  | 76,386                             | 29,313                           |
| <b>Total Component Units</b>                       | <b>\$ 1,389,603</b> | <b>\$ 573,926</b>                              | <b>\$ 327,337</b>                  | <b>\$ 47,938</b>                 |

General Revenues:

Interest and Investment Income  
Payments In from Component Units  
Payments In from Primary Government  
Other Revenues  
Total General Revenues

Change in Net Assets  
Net Assets - Beginning of Year  
Prior Period Adjustment  
Net Assets - End of Year

The notes to the financial statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Assets |                                    |  |                          |                       |
|---|------------------------------------|--|--------------------------|-----------------------|
| University of Alaska                            | Alaska Housing Finance Corporation | Alaska Industrial Development and Export Authority | Nonmajor Component Units | Total Component Units |
| \$ (294,305)                                    | \$                                 | \$   | \$                       | \$ (294,305)          |
|   | (67,147)                           |  |                          | (67,147)              |
|   |                                    | (2,636)  |                          | (2,636)               |
|   |                                    |  | (76,314)                 | (76,314)              |
| <u>(294,305)</u>                                | <u>(67,147)</u>                    | <u>(2,636)</u>                                     | <u>(76,314)</u>          | <u>(440,402)</u>      |
| 38,671  | 41,509                             | 18,096   | 46,994                   | 145,270               |
| 3,384   |                                    | 2,660  |                          | 6,044                 |
| 237,048   |                                    |  | 1,055                    | 238,103               |
| 1,380   | 2,252                              |  |                          | 3,632                 |
| <u>280,483</u>                                  | <u>43,761</u>                      | <u>20,756</u>                                      | <u>48,049</u>            | <u>393,049</u>        |
| (13,822)  | (23,386)                           | 18,120   | (28,265)                 | (47,353)              |
| 974,418   | 1,706,459                          | 822,886  | 1,285,667                | 4,789,430             |
|   |                                    |  | 1,765                    | 1,765                 |
| <u>\$ 960,596</u>                               | <u>\$ 1,683,073</u>                | <u>\$ 841,006</u>                                  | <u>\$ 1,259,167</u>      | <u>\$ 4,743,842</u>   |



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# Notes to the Basic Financial Statements

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**STATE OF ALASKA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2005**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Alaska have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles, which are primarily set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards.

**A. THE FINANCIAL REPORTING ENTITY**

The State of Alaska was admitted to the Union in 1959 and is governed by an elected governor and a sixty-member elected legislature. As required by GAAP, these financial statements present all the fund types of the state which includes all agencies, boards, commissions, authorities, courts, and colleges and universities that are legally part of the state (primary government) and its component units discussed below. Component units are legally separate entities for which the primary government is financially accountable or such that their exclusion would cause the state's financial statements to be misleading or incomplete.

The following component units are included in the accompanying financial statements. Blended component units, although legally separate entities, are, in substance, part of the state's operations and provide services entirely or almost entirely to the state. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the state. Individual component unit financial reports may also be obtained from these organizations as indicated.

**BLENDED COMPONENT UNITS**

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (fund) and other funds designated by law. The fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the state constitution. The beneficiaries of the fund are all present and future generations of Alaskans. The fund represents 87 percent of the total cash and investments and 75 percent of total government-wide net assets excluding discretely presented component units. The fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, 801 W. 10th Street, Suite 302, Juneau, AK 99801, or from their web site at [www.apfc.org](http://www.apfc.org).

The **Knik Arm Bridge and Toll Authority** (KABTA) is a public corporation and government instrumentality in the Department of Transportation and Public Facilities (AS 19.75.021). The authority has a separate and independent legal existence from the state. It is governed by a board of directors, including the commissioner of the Department of Transportation and Public Facilities, the commissioner of the Department of Revenue, three public members appointed by the governor, and two non-voting members: a member of the House of Representatives appointed by the speaker; and a member of the Senate appointed by the president. The purpose of the authority is to develop public transportation systems in the vicinity of Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. KABTA financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Enterprise Funds.

The **Northern Tobacco Securitization Corporation** (NTSC) is a public corporation and government instrumentality of, but having a legal existence independent and separate from, the State of Alaska. NTSC is a subsidiary of, but separate and apart from, the Alaska Housing Finance Corporation (AHFC). The commissioners of the departments of Revenue, Health and Social Services, and Community and Economic Development, and two independent public members appointed by the governor comprise the NTSC board of directors.

The purpose of NTSC is to purchase future rights, title, and interest in Tobacco Settlement Revenues (TSRs) from the state under the Master Settlement Agreement and Final Judgement (MSA). The MSA resolved cigarette smoking-related litigation between the settling states and the participating manufacturers, released the manufacturers from past and present smoking-related claims, and provides for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the settling states, as well as certain tobacco advertising and marketing restrictions among other things.



NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose. When NTSC's obligations with the bonds have been fulfilled, the TSRs revert back to the state under the residual certificate. Consideration paid by NTSC through AHFC to the state for TSRs consisted of a cash amount sent to the State of Alaska custodial trust accounts and a residual certificate assigned to the state.

The bonds of NTSC are asset-backed instruments secured solely by the TSRs and NTSC's right to receive TSRs is expected to produce funding for its obligations. The TSR payments are dependent on a variety of factors, some of which are: the financial capability of the participating manufacturers to pay TSRs; future cigarette consumption that impacts the TSR payment; and future legal and legislative challenges against the tobacco manufacturers and the MSA providing for the TSRs. Pursuant to bond indentures, these adjustments could affect the amount of funds available to pay scheduled debt service payments.

NTSC is reported in the governmental fund types as special revenue and debt service funds. The revenue bond debt is reported in the government-wide statement of net assets in the governmental fund activities column. NTSC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

The **Public Employees' Retirement System (PERS)** was established by state statute (AS 39.35.010). The Commissioner of Administration is responsible for the administration of PERS. The governor appoints the majority of the PERS board. The board prescribes policies and regulations, hears appeals, and approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the state, participating governmental employers, and participants. PERS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The Alaska State Pension Investment Board (ASPIB) is the fiduciary of PERS.

The **Teachers' Retirement System (TRS)** was established by state statute (AS 14.25.010). The Commissioner of Administration appoints the administrator of TRS. The administrator is responsible for the administration of TRS in accordance with state statutes. The governor appoints the majority of the TRS board. The board prescribes policies and regulations, hears appeals, and approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the state, participating governmental employers, and participants. TRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of TRS.

The **Judicial Retirement System (JRS)** was established by state statute (AS 22.25.048). The Commissioner of Administration is responsible for the administration of JRS. JRS costs, based upon actuarial valuations, are funded by the state and participants. JRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of JRS.

The **Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)** was established by state statute (AS 26.05.222). The Commissioner of Administration is responsible for the administration of NGNMRS. NGNMRS costs, based upon actuarial valuations, are funded by the state. NGNMRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of NGNMRS.

The **Supplemental Benefits System (SBS)** was established by state statute (AS 39.30.150). The Commissioner of Administration is responsible for the administration of SBS. SBS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of SBS.

The **Deferred Compensation Plan (DCP)** was established by state statute (AS 39.45.010). The Commissioner of Administration is responsible for the administration of DCP. DCP is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. ASPIB is the fiduciary of the DCP.

Copies of the audited financial statements for the retirement systems, and for SBS and DCP, may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

#### DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Development Corporation (AADC)** is a public corporation of the state located for administrative purposes within the Department of Commerce, Community and Economic Development (AS 14.40.821). The governor appoints the voting members of the AADC board of directors and the legislature approves AADC's budget. AADC is also affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of AADC is to

allow the state to take a lead role in the exploration and development of space, to enhance human and economic development, and to provide a unified direction for space-related economic growth, education and research development, and tourism related activities. AADC is also to promote the continued utilization of the Poker Flat Research Range as a launch site for launch vehicles and for scientific research. Additionally, AADC is to promote and encourage the continued utilization of Poker Flat Research Range for the University of Alaska's polar research efforts. AADC financial statements may be obtained from the Alaska Aerospace Development Corporation, 4300 B. St., Suite 101, Anchorage, AK 99503.

The **Alaska Energy Authority** (AEA) is a public corporation of the state in the Department of Commerce, Community and Economic Development but with a separate and independent legal existence (AS 44.83.020). The purpose of AEA was to promote, develop, and advance the general prosperity and economic welfare of the people of the state by providing a means of constructing, acquiring, financing, and operating power projects and facilities that recover and use waste energy.

However, Chapters 18 and 19, Session Laws of Alaska (SLA) 1993, which became effective August 11, 1993, eliminated the ability of AEA to construct, own, and acquire energy projects, and the programs operated by AEA were transferred to the Department of Community and Regional Affairs. The corporate structure of AEA was retained but the board of directors of the Alaska Industrial Development and Export Authority (AIDEA) is now the board of directors of AEA and the Executive Director of AIDEA is also the Executive Director of AEA. It is the intent of the legislation that ongoing operation of the operating assets be assumed by the electric utility companies that use or purchase power from AEA with oversight responsibility retained by AEA. The governor appoints all members of the AEA board of directors and the legislature approves AEA's budget.

Pursuant to legislation effective July 1, 1999, rural energy programs previously administered by the former Department of Community and Regional Affairs were transferred to AEA for administration as part of a larger reorganization of state agencies. Rural energy programs were originally part of AEA prior to the reorganization that occurred in 1993. AEA financial statements may be obtained from the Alaska Industrial Development and Export Authority, 813 W. Northern Lights Blvd., Anchorage, AK 99503.

The **Alaska Housing Finance Corporation** (AHFC) is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the state (AS 18.56.020). The governor appoints the board of directors of AHFC. The legislature approves AHFC's budget. AHFC assists in providing decent, safe, and sanitary housing by financing mortgage loans. AHFC acts as the principal source of residential financing in the state and functions as a secondary mortgage market. AHFC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

The **Alaska Industrial Development and Export Authority** (AIDEA) is a public corporation of the state and a political subdivision within the Department of Commerce, Community and Economic Development (AS 44.88.020). The governor appoints all members of the AIDEA board of directors and the legislature approves AIDEA's budget. The purpose of AIDEA is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska; to relieve problems of unemployment; to create additional employment by providing various means of financing; and to facilitate the financing of industrial, manufacturing, export, and business enterprises within the state. AIDEA financial statements may be obtained from the Alaska Industrial Development and Export Authority, 813 W. Northern Lights Blvd., Anchorage, AK 99503.

The **Alaska Mental Health Trust Authority** (AMHTA) is established as a public corporation of the state within the Department of Revenue (AS 47.30.011). The governor appoints the AMHTA board of trustees. The legislature approves AMHTA's budget. The purpose of AMHTA is to ensure an integrated comprehensive mental health program. As provided in AS 37.14.009, AMHTA is to administer the trust established under the Alaska Mental Health Enabling Act of 1956. AMHTA financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units since there are no separately issued financial statements for AMHTA at the publication date of this CAFR.

The **Alaska Municipal Bond Bank Authority** (AMBBA) is a public corporation and an instrumentality of the state within the Department of Revenue, but with a legal existence independent of and separate from the state (AS 44.85.020). The governor appoints members of the AMBBA board of directors. The legislature approves AMBBA's budget. AMBBA was created for the purpose of making available to municipalities within the state, monies to finance their capital projects or for other authorized purposes by means of issuance of bonds by AMBBA and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds. AMBBA commenced operations in August 1975. AMBBA financial statements may be obtained from the Alaska Municipal Bond Bank Authority, P.O. Box 110405, Juneau, AK 99811-0405.

The **Alaska Natural Gas Development Authority** (ANGDA) is a public corporation and government instrumentality in the Department of Revenue (AS 41.41.010). The authority has a legal existence independent of and separate from the state. The authority is governed by a seven member board of directors appointed by the governor and confirmed by the legislature. The budget is submitted and approved by the governor and legislature. The purpose of the authority is to bring natural gas from the North Slope to market. ANGDA financial statements may be obtained from the Alaska Gas Development Authority, 411 West 4<sup>th</sup> Avenue, Anchorage, AK 99501.

The **Alaska Railroad Corporation** (ARRC) is a public corporation and instrumentality of the state within the Department of Commerce, Community and Economic Development (AS 42.40.010). ARRC has a legal existence independent of and separate from the state. The powers of ARRC are vested in the board of directors. All members of the board of directors of ARRC are appointed by and serve at the pleasure of the governor. ARRC was created by the State of Alaska legislature to own and operate the railroad and manage its rail, industrial, port, and other properties. The ARRC commenced operations on January 6, 1985. ARRC financial statements may be obtained from the Alaska Railroad Corporation, P.O. Box 107500, Anchorage, AK 99510-7500.

The **Alaska Student Loan Corporation** (ASLC) is a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the state (AS 14.42.100). ASLC is governed by a board of directors appointed by the governor. The legislature approves ASLC's budget. The purpose of ASLC is to improve higher educational opportunities for residents of the state. ASLC financial statements may be obtained from the Postsecondary Education Commission, 3030 Vintage Blvd., Juneau, AK 99801-7100.

The **University of Alaska** is established as a corporation and is an instrumentality of the state (AS 14.40.040). A board of regents appointed by the governor and confirmed by the legislature governs the university. The legislature approves the university's budget. The university is created and acts for the benefit of the state and the public in providing education in accordance with an express mandate of the constitution. The financial statements of the university include the assets, liabilities and related activity of the University of Alaska Foundation, a legally separate non profit component unit. The university is not accountable for, nor has ownership of, the foundation's resources. The university's financial statements may be obtained from the University of Alaska, Statewide Fund Accounting, 209 Butrovich Building, P.O. Box 756540, Fairbanks, AK 99775-6540.

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the state (AS 16.51.010). It is an instrumentality of the state with a legal existence independent of and separate from the state. ASMI is governed by a board of directors appointed by the governor, and its budget is approved by the legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the General Fund within the Department of Commerce, Community and Economic Development because its financial activities, which are immaterial, are currently accounted for in the state's General Fund. The ASMI fiscal year 2005 budget was approximately \$17.8 million.

## **B. BASIC FINANCIAL STATEMENTS**

The basic financial statements include government-wide financial statements and fund financial statements (as well as these notes to the financial statements). The previous financial reporting model emphasized fund types (the total of all funds of a particular type), while the new financial reporting model focus is on either the state as a whole (government-wide statements), or on major individual funds (fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information of all nonfiduciary activities of the state and its component units. For the most part, the effect of interfund activity has been removed from these government-wide 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 services. Likewise, the primary government is reported separately from the component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them available for general operations (see note 1.F.). Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

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. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements are, in substance, very similar to the previous financial reporting model's financial statements. However, the new model emphasis is on major funds (of which the state has three, the General Fund and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund, which is an enterprise fund). All nonmajor funds are summarized into a single column on the respective funds statements: governmental; proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, and agency funds.

### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance operations during the current year or to liquidate liabilities existing at the end of the year (collected within 60 days of fiscal year end). Major revenues that are determined to be susceptible to accrual include federal, charges for services, investment income, and petroleum related taxes and royalties.

Expenditures are recognized when a liability is incurred. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due and payable.

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 state has elected not to follow subsequent private-sector guidance.

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. All other revenues and expenses are reported as nonoperating.

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

#### **D. FINANCIAL STATEMENT PRESENTATION**

The State of Alaska reports three major funds, the General Fund, and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund, which is a proprietary enterprise fund. The General Fund is the state's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The Alaska Permanent Fund was created in 1976 to save a portion of the state's one-time oil wealth to produce income to benefit current and future generations. The International Airports Fund was created in 1961 to equip, finance, maintain and operate two international airports located in Anchorage and Fairbanks. In addition, the state reports the following fund types:

##### GOVERNMENTAL FUND TYPES

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital project funds account for the acquisition or construction of major capital facilities financed by bond proceeds.

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. In addition to the Alaska Permanent Fund (major fund), the state has two other permanent funds, the Public School Trust Fund and the Mental Health Trust Authority (a discretely presented component unit).

##### PROPRIETARY FUND TYPES

Enterprise funds are used to report any activity for which a fee is charged to external users for goods and services.

Internal service funds are used to report any activity that provides goods or services primarily to other funds or agencies of the state, rather than to the general public.

##### FIDUCIARY FUND TYPES

Pension (and other employee benefits) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans.

Agency funds are used to report resources held by the state purely in a custodial capacity (assets equal liabilities).

#### **E. FISCAL YEAR ENDS**

All funds and discretely presented component units of the State of Alaska are reported using fiscal years which end on June 30 except the Alaska Railroad Corporation and Deferred Compensation Fund fiscal years end on December 31, and the Alaska Supplemental Benefits System fiscal year ends on January 31.

#### **F. ASSETS, LIABILITIES, AND NET ASSETS / FUND BALANCE**

##### CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the Statements of Net Assets and the Balance Sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the state and its component units. In accordance with GASB Statement No. 31, investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investment purchases and sales are recorded on a trade-date basis.

Marketable debt securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality, and type. The noninterest bearing deposits are reported at cost, which approximates fair value.

Domestic equity under the fiduciary responsibility of the Commissioner of Revenue is comprised of shares in the Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund. The underlying securities in this Trust are valued each business day by the Trustee Committee at fair value in accordance with generally accepted valuation principles.

Other domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Emerging markets securities are valued at their current market or fair values on the last business day of each month by the Trustee.

Private equity securities are valued quarterly by the general partners and investment sponsors. The private equity oversight manager is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments.

The energy related investment in the Other Investments Pool is valued quarterly by the general partner. The agricultural investments are valued quarterly by investment managers. Valuations are based on market conditions and knowledge of industry trends. Agricultural holdings are appraised once every three years, in conjunction with the purchase anniversary date, by independent appraisers.

With the exception of real estate investment trust holdings, real estate investments are valued quarterly by investment managers based on market conditions and their knowledge of industry trends. Separate account real estate investments are appraised once every three years, in conjunction with the property's purchase anniversary date, by independent appraisers. Real estate investment trust holdings are valued each business day using prices obtained from a pricing service.

Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices.

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the state's General Fund and Other Non-segregated Investment (GeFONSI) pool and the Short-term Fixed Income Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2005, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool and shares in the Intermediate-term Fixed Income Pool.

#### RECEIVABLES

Receivables have been established and offset with proper provisions for estimated uncollectible accounts where applicable. The amount of noncurrent receivables is included in the fund balance reserve, which indicates they do not constitute expendable available financial resources and therefore are not available for appropriation.

Practically all accounts receivable of governmental funds are due from oil companies and governmental entities, primarily the federal government, and are considered collectible. Accounts receivable in other funds have arisen in the ordinary course of business.

#### INTER/INTRAFUND TRANSACTIONS

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

### INVENTORIES

Inventories reported for the internal service funds and the General Fund consist mainly of consumable materials and supplies. Inventories are carried at cost (average cost for Highway Equipment Working Capital; first in first out (FIFO) for other internal service funds and the General Fund), and are accounted for on the consumption method. However, the majority of materials and supplies for state agencies are accounted for as expenditures at the time of purchase. Inventory of the University of Alaska is carried at the lower of cost or market.

### CAPITAL ASSETS

Capital assets are reported in the Statement of Net Assets at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the time of donation including Statehood entitlement land that is carried at an estimated value of \$1 per acre.

Capital assets are depreciated on the straight-line method over the estimated useful lives of the related assets.

All public domain infrastructure acquired by the state, such as highways, bridges, harbors, and rural airports, is capitalized.

The state possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include the state's art collections, library reserve collections, and museum and historical collections. These assets are: held for public exhibition, education, or research rather than financial gain; protected, kept unencumbered, cared for, and preserved; and proceeds from the sale of collection items are used to acquire other items for collections.

Additional disclosures related to capital assets are provided in Note 5.

### COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2005, this liability is recognized and reported in the government-wide and proprietary fund financial statements. The state's estimated liability for compensated absences, as reported in the government-wide statement of net assets, is \$120.5 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from state service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee. See Note 11 for disclosure of the amount of the sick leave contingency.

The cost of compensated absences (annual/personal leave and sick leave) for state employees is charged against agency appropriations when leave is used rather than when leave is earned, except for the payment of the accumulated annual/personal leave balance for an employee terminating from state service. That amount is charged to a terminal leave liability account rather than the individual agency appropriation. This liability account is funded by a charge to each agency's operating budget.

### NET ASSETS / FUND BALANCE

The difference between fund assets and liabilities is "net assets" on the government-wide, proprietary, and fiduciary fund statements, and is "fund balance" on the governmental fund statements.

### FUND BALANCE RESERVES / DESIGNATIONS

The governmental fund financial statements present 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 plans for future use of financial resources.

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2005 (in thousands).

|                           | <u>General</u>     | <u>Permanent</u>    | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> |
|---------------------------|--------------------|---------------------|----------------------------|-------------------------|-----------------------------|
| Reserved                  |                    |                     |                            |                         |                             |
| Encumbrances              | \$ 157,567         | \$ 43               | \$ 28,933                  | \$ -                    | \$120,754                   |
| Nonliquid Assets          | 5,190,938          | -                   | -                          | -                       | -                           |
| Bonds                     | -                  | -                   | -                          | 35,211                  | -                           |
| Other                     | 18,841             | 28,830,850          | -                          | -                       | -                           |
| Total Reserved            | <u>5,367,346</u>   | <u>28,830,893</u>   | <u>28,933</u>              | <u>35,211</u>           | <u>120,754</u>              |
| Unreserved                |                    |                     |                            |                         |                             |
| Designated                |                    |                     |                            |                         |                             |
| Continuing Appropriations | 326,024            | 539                 | 12,263                     | -                       | 117,565                     |
| Other                     | 1,302,794          | 1,439,849           | 180                        | -                       | -                           |
| Undesignated              | (2,926,429)        | 8,982               | 63,548                     | -                       | 9,398                       |
| Total Unreserved          | <u>(1,297,611)</u> | <u>1,449,370</u>    | <u>75,991</u>              | <u>-</u>                | <u>126,963</u>              |
| Total Fund Balance        | <u>\$4,069,735</u> | <u>\$30,280,263</u> | <u>\$104,924</u>           | <u>\$35,211</u>         | <u>\$247,717</u>            |

The negative undesignated fund balance is attributable to a subfund of the general fund that is important for users of the financial statements to understand. The negative unreserved undesignated fund balance of \$2,926,429 thousand is the amount due to the Constitutional Budget Reserve Fund (CBRF) arising from Article IX, section 17(d) in the Alaska Constitution. This CBRF receivable is unlikely to be realized.

Designated for continuing appropriations was reduced for negative fund balance in three subfunds of the General Fund. The Alaska Capital Income Fund and the Vocational Rehabilitation Small Business Enterprise Revolving Fund were over-appropriated by \$30,049 thousand and \$367 thousand respectfully, and the Alaska Marine Highway System Fund over-expanded fund resources by \$6,815 thousand.

**RESTRICTED NET ASSETS**

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$28,522 million), \$309 million of the Public School Trust Fund net assets, and \$342 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$10 million (3 percent) of the Public School Trust Fund restricted net assets, and \$70 million (17 percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

**NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

Once money received is deposited in the state treasury, it may not be withdrawn from the treasury except in accordance with an appropriation made by law. Those amounts received by component units are disbursed in accordance with their particular statutory authority.

The budgetary process is used to establish a balancing of estimated revenues coming into a fund with requested appropriations for that fund. Except for capital project funds, which prepare only project-length budgets, annual operating (and project-length) budgets are prepared for practically every fund and are submitted to the legislature for the enactment of appropriations. An appropriation is an authorization to spend money and to incur obligations. Each appropriation is limited as to purpose, time, and amount, and each of these limitations is legally binding. The legal level of budgetary control is maintained at the appropriation level as specified in the enabling legislation, which is generally at the program level within a department.

Appropriations as enacted by the legislature and signed by the governor are entered into the accounting records. The balance of an appropriation is reduced when funds are expended or encumbered. Appropriations are encumbered for anticipated expenditures in the form of purchase orders, contracts, and other obligations. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.



Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 05, supplemental appropriations of \$564 million were required, of which \$315.5 million were appropriations from the General Fund.

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 05, the Office of Management and Budget estimated the limit to be approximately \$7.2 billion. The FY 05 budget passed by the legislature was \$3 billion (unrestricted General Fund revenues only), or \$4.2 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

In 1990, the voters of Alaska approved an amendment to the Alaska Constitution to establish a budget reserve fund (CBRF). Article IX, section 17, states, in part, "...Except for money deposited into the permanent fund under Section 15 of this article, all money received by the State after July 1, 1990, as a result of the termination, through settlement or otherwise, of an administrative proceeding or of litigation in a State or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. ..."

The fund was established to enhance budget stability by depositing certain monies into the budget reserve fund (where they could not be easily spent) rather than into the General Fund (where they would be readily available for appropriation for expenditure). Money may be appropriated from the fund in accordance with the provisions of section 17(b) and (c). To date, the only appropriations from the fund have been made under the provisions of section 17(c), which states "An appropriation from the budget reserve fund may be made for any public purpose upon affirmative vote of three-fourths of the members of each house of the legislature."

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states "If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law."

The following is a schedule of amounts appropriated from the CBRF, and the amounts transferred back to the CBRF from the General Fund as provided in section 17(d). As can be seen from this schedule, the amount appropriated and not yet repaid has grown to over \$5 billion. The paragraphs following the schedule provide an explanation of the entries.

|   |                      |
|---|----------------------|
| Chapter 14, SLA 1994, section 7                             | \$ 1,006,038,474     |
| Chapter 14, SLA 1994, section 8                             | 49,608,135           |
| Chapter 14, SLA 1994, section 9                             | 368,581,990          |
| Subtotal FY 94  | <u>1,424,228,599</u> |
| Chapter 3, FSSLA 1994, section 39(c)                        | 22,417,986           |
| Chapter 3, FSSLA 1994, section 40                           | 68,738,958           |
| Chapter 3, FSSLA 1994, section 22(a)                        | 11,250,000           |
| Chapter 6, FSSLA 1994, section 1                            | 130,300,000          |
| Article IX, section 17(d) Alaska Constitution (FY 95)       | (95,506,853)         |
| Subtotal FY 95  | <u>137,200,091</u>   |
| Chapter 94, SLA 1995, section 43(a)                         | 95,506,853           |
| Chapter 94, SLA 1995, miscellaneous operating appropriation | 8,356,516            |
| Chapter 94, SLA 1995, section 43(b)                         | 284,873,567          |
| Article IX, section 17(d) Alaska Constitution (FY 96)       | (74,352,026)         |
| Subtotal FY 96  | <u>314,384,910</u>   |

|  |                      |
|--|----------------------|
| Chapter 94, SLA 1995, miscellaneous operating appropriation                    | 8,316,412            |
| Chapter 5, FSSLA 1996, section 1(a)  | 74,352,026           |
| Article IX, section 17(d) Alaska Constitution (FY 97)                          | (166,019,445)        |
| Subtotal FY 97   | <u>(83,351,007)</u>  |
| Chapter 98, SLA 1997, section 35(a)  | 166,019,445          |
| Chapter 98, SLA 1997, page 47, line 3  | 529,258              |
| Chapter 98, SLA 1997, section 35(b)  | 423,319,190          |
| Article IX, section 17(d) Alaska Constitution (FY 98)                          | (89,264,067)         |
| Subtotal FY 98   | <u>500,603,826</u>   |
| Chapter 139, SLA 1998, section 42(a)   | 89,264,067           |
| Chapter 2, SLA 1999, section 16(c)   | 446,949              |
| Chapter 27, SLA 1999, section 2(a), Y2K appropriations                         | 2,336,290            |
| Chapter 2, FSSLA 1999, section 21(a)   | 1,042,014,840        |
| Article IX, section 17(d) Alaska Constitution (FY 99)                          | (94,632,453)         |
| Subtotal FY 99   | <u>1,039,429,693</u> |
| Chapter 2, SLA 1999, section 16(c)   | 13,051               |
| Chapter 27, SLA 1999, section 2(a), Y2K appropriations                         | 5,594,185            |
| Chapter 84, SLA 1999, section 35(a)  | 94,632,453           |
| Chapter 2, FSSLA 1999, section 21(b)   | 295,898,497          |
| Chapter 8, SLA 2000, section 8(a)  | 3,227,666            |
| Chapter 75, SLA 2000, section 1(b)   | 100,000,000          |
| Article IX, section 17(d) Alaska Constitution (FY 00)                          | (111,438,806)        |
| Subtotal FY 00   | <u>387,927,046</u>   |
| Chapter 133, SLA 2000, section 11(a)   | 111,438,806          |
| Chapter 75, SLA 2000, section 1(c)   | 500,000              |
| Chapter 135, SLA 2000, section 18(c)   | 121,672              |
| Article IX, section 17(d) Alaska Constitution (FY 01)                          | (115,416,319)        |
| Subtotal FY 01   | <u>(3,355,841)</u>   |
| Chapter 61, SLA 2001, section 93(a)  | 101,947,305          |
| Chapter 61, SLA 2001, section 93(b)  | 884,311,765          |
| Chapter 61, SLA 2001, section 93(c)  | 125,000              |
| Article IX, section 17(d) Alaska Constitution (FY 02)                          | (130,695,249)        |
| Subtotal FY 02   | <u>855,688,821</u>   |
| Chapter 1, SSSLA 2002, section 94(a)   | 130,695,249          |
| Chapter 1, SSSLA 2002, section 94(b)   | 498,120,073          |
| Chapter 1, SSSLA 2002, section 94(c)   | 121,425              |
| Article IX, section 17(d) Alaska Constitution (FY 03)                          | (88,755,533)         |
| Subtotal FY 03   | <u>540,181,214</u>   |
| Chapter 159, SLA 2004, section 61(a)   | 88,755,533           |
| Chapter 159, SLA 2004, section 61(b)   | 10,784,830           |
| Chapter 159, SLA 2004, section 61(c)   | 109,120              |
| Article IX, section 17(d) Alaska Constitution (FY 04)                          | (94,626,898)         |
| Subtotal FY 04   | <u>5,022,585</u>     |
| Chapter 159, SLA 2004, section 61(d)   | 94,626,898           |
| Chapter 159, SLA 2004, section 61(e)   | 34,922,767           |
| Chapter 159, SLA 2004, section 61(f) and<br>Chapter 6, SLA 2005, section 17(a) | 125,940              |
| Article IX, section 17(d) Alaska Constitution (FY 05)                          | <u>(85,513,723)</u>  |

|                                  |                  |
|----------------------------------|------------------|
| Subtotal FY 05                   | 44,161,882       |
| Total appropriated from the CBRF | \$ 5,162,121,819 |

The amounts appropriated in chapter 14, SLA 1994, sections 7 and 8 are equal to the amounts appropriated from the General Fund to the CBRF to comply with court orders. In FY 91 through FY 94, the state deposited revenue into the General Fund that several parties contended should have been deposited into the CBRF. The Alaska Superior Court and Supreme Court agreed that these monies should have been deposited in the CBRF and the State was ordered to restore the CBRF, including interest earnings, retroactive to July 1, 1990. Chapter 14, SLA 1994, was enacted into law to comply with the courts' orders and sections 2, 3, and 4 of the law appropriated \$1,006,038,474, plus \$49,608,135 in interest which would have been earned on the money after June 30, 1990, from the General Fund to the CBRF effective April 15, 1994.

Chapter 14, SLA 1994, section 9, chapter 3 FSSLA 1994, section 39(c), chapter 94 SLA 1995, section 43(b), chapter 98 SLA 1997, section 35(b), chapter 2 FSSLA 1999, section 21(a) and (b), chapter 61 SLA 2001, section 93(b), chapter 1, SSSLA 2002, section 94(b), chapter 159 SLA 2004, section 61(b), and chapter 159 SLA 2004, section 61(e), appropriated additional amounts from the CBRF to the General Fund to fund any shortfalls between state revenue and General Fund appropriations for fiscal years 1994, 1995, 1996, 1998, 1999, 2000, 2002, 2003, 2004 and 2005 respectively.

Chapter 3, FSSLA 1994, section 40, appropriated an amount to cover the share of the state's actual expenditures for oil and gas litigation from July 1, 1990, through February 15, 1994, that is attributable to the CBRF. The appropriation in section 22(a) of chapter 3 was to cover costs related to legal proceedings and audit activity involving oil and gas revenue due or paid to the state or state title to oil and gas land, for the fiscal year ended June 30, 1995.

Chapter 6, FSSLA 1994, section 1, was passed by the Alaska legislature to resolve the long-standing issue of reconstitution of the Alaska Mental Health Trust (AMHT). CBRF funds were appropriated to capitalize the AMHT.

This schedule shows the effect of article IX, section 17(d), of the Alaska Constitution, which provides that the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund until the amount appropriated is repaid. As of June 30, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004 and 2005, amounts in various subfunds and accounts of the General Fund that were identified as available for appropriation were used to repay a part of the liability to the CBRF. The amounts for FY 95, FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03 and FY 04 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04 and FY 05 respectively. The amount for FY 05 will be transferred to the CBRF during FY 06.

The amounts transferred under article IX, section 17(d), were appropriated back to the funds from which transferred under chapter 94, SLA 1995, section 43(a) for FY 95, chapter 5, FSSLA 1996, section 1(a) for FY 96, chapter 98, SLA 1997, section 35(a) for FY 97, chapter 139, SLA 1998, section 42(a) for FY 98, chapter 84, SLA 1999, section 35(a) for FY 99, chapter 133, SLA 2000, section 11(a) for FY 00, chapter 61, SLA 2001, section 93(a) for FY 01, chapter 1, SSSLA 2002, section 94(a) for FY 02, chapter 159, SLA 2004, section 61(a) for FY 03, chapter 159, SLA 2004, section 61(d) for FY 04 and chapter 3, FSSLA 2005, section 61(a) for FY 05.

Chapter 94, SLA 1995, appropriated amounts from the CBRF to fund miscellaneous operating appropriations.

Chapter 98, SLA 1997, Page 47, line 3, chapter 2, SLA 1999, section 16(c), chapter 135, SLA 2000, section 18(c), chapter 61, SLA 2001, section 93(c), chapter 1, SSSLA 2002, section 94(c), and chapter 159, SLA 2004, section 61(c) and chapter 159, SLA 2004, section 61(f), appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY 03, FY 04 and FY 05 respectively.

Chapter 27, SLA 1999, section 2(a) appropriated funds from the CBRF for year 2000 (Y2K) assessment, compliance, and remediation projects.

Chapter 8, SLA 2000, section 8(a), repealed and reappropriated the unexpended and unobligated balances of the CBRF appropriations made in section 2(a), chapter 27, SLA 1999, page 2, line 3, page 3, line 31, page 4, line 17, and page 4, line 20, to the longevity bonus grant program.

Chapter 75, SLA 2000, section 1(b) appropriated funds from the CBRF to the power cost equalization endowment fund, which is within the Alaska Energy Authority. Chapter 75, SLA 2000, section 1(c) also appropriated funds from the CBRF to

the Alaska Energy Authority to cover the costs of completing the sale of the four dam pool hydroelectric project and of establishing and managing the power cost equalization endowment fund for FY 01.

**NOTE 3 – ACCOUNTING CHANGES AND BEGINNING FUND BALANCE / NET ASSETS ADJUSTMENT**

The beginning balance amounts for capital assets were restated to record historic infrastructure in accordance with GASB Statement No. 34. This restatement increases infrastructure by \$1,620,518 thousand.

Other changes displayed as prior period adjustments in the fund financial statements are listed below.

- \$17,932 thousand decrease to the General Fund. due to \$16,931 thousand federal revenues deferred, \$500 thousand for charges for services earned in the current year but recognized last year, \$390 thousand overstatement in revenues previously recognized from the Alaska Public Building fund and \$111 thousand reduction in unemployment insurance fraud penalties previously recorded as General Fund revenues.
- \$215 thousand increase for the Alaska Public Building Fund is the net of expenditures previously recognized as paid to the General Fund (\$390 thousand) and fiduciary funds (\$160 thousand), and a \$335 thousand reduction in the net value of assets that were depreciated in prior years.
- \$288 thousand decrease in enterprise funds is comprised of the following: \$405 thousand reduction in the Unemployment Compensation Fund due to transfer adjustments between the fund and federally reimbursable programs; \$121 thousand increase in the Small Business Revolving Loan Fund for interest previously accrued; and \$4 thousand decrease in the Alaska Drinking Water Fund related to prior year expense.

Additional prior period adjustments affecting the government-wide financial statements are listed below.

- \$196 thousand increase in long-term debt due to a capital lease not previously reported.
- \$923,983 thousand decrease in total capital assets. This includes \$935,842 thousand net decrease for construction in progress resulting from construction in progress not previously reported, reclassification activity, and infrastructure being reported as construction in progress, \$22,696 thousand increase to buildings, \$1,871 thousand increase to equipment, and \$12,708 thousand increase to accumulated depreciation for buildings and equipment.
- \$16,931 thousand increase for federal revenues deferred at the fund financial level, but recognized on the government-wide.

**NOTE 4 – DEPOSIT AND INVESTMENT RISK**

Deposits and investments may be exposed to various types of risks. These risks are interest rate risk, credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

**A. DEPOSITS AND INVESTMENTS UNDER THE FIDUCIARY RESPONSIBILITY OF THE COMMISSIONER OF REVENUE**

By law, all deposits and investments are under the fiduciary responsibility of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other entities or boards responsible for separate subdivisions or component units of the State. Those agencies and component units that manage their own cash and investments are: Alaska Permanent Fund Corporation, Alaska Energy Authority, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Railroad Corporation,

Alaska Mental Health Trust Authority, Alaska Science and Technology Foundation, Alaska Student Loan Corporation, Alaska State Pension Investment Board, Exxon Valdez Oil Spill Trustee Council, and the University of Alaska.

Invested assets under the fiduciary responsibility of the Commissioner are comprised of the General Fund and Other Non-segregated Investments, Constitutional Budget Reserve Fund, International Airports Fund, Retiree Health Insurance Fund, Power Cost Equalization Endowment Fund, General Obligation Bond Fund as well as the Public School, Alaska Children's, Investment Loss, and Supplemental Benefits System (SBS) trust funds (all collectively, Funds).

As the fiduciary, the Commissioner has the statutory authority (AS 37.10.070 - 37.10.071) to invest the assets under the Prudent Investor Rule which requires that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

With the exception of Tobacco Revenue Fixed Income, the Domestic Fixed Income Indexed Account and Domestic Equity Indexed Account, investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division (Treasury) or by contracted external investment managers. External management companies manage the Securities Lending Collateral, Tobacco Revenue Fixed Income, International Equity Pool, Domestic Fixed Income Indexed Account and the Domestic Equity investments. Treasury Division staff act as oversight manager for all externally managed investments. The Short-term, Intermediate-term and the Broad Market Fixed Income Pools are internally managed.

Additional information related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405 or at [www.revenue.state.ak.us/treasury](http://www.revenue.state.ak.us/treasury). Deposits and investments at June 30, 2005, are as follows:

| Investment Type   | Fair Value (in thousands)          |  |  |                                       |            | Total        |
|---|------------------------------------|--|--|---------------------------------------|------------|--------------|
|   | Short-term<br>Fixed Income<br>Pool | Intermediate-<br>term Fixed<br>Income Pool | Broad<br>Market<br>Fixed<br>Income<br>Pool | Tobacco<br>Revenue<br>Fixed<br>Income | Other      |              |
| Deposits  | \$ -                               | \$ -                                       | \$ -                                       | \$ 2                                  | \$ 6,394   | \$ 6,396     |
| Overnight Sweep Account   | 2,618                              | -  | -  | -                                     | -          | 2,618        |
| Money Market  | -                                  | -  | -  | -                                     | 145,851    | 145,851      |
| Commercial Paper  | 154,690                            | -  | -  | 22,580                                | -          | 177,270      |
| U.S. Treasury Bills   | 113,918                            | -  | -  | -                                     | -          | 113,918      |
| U.S. Treasury Notes   | 98,938                             | 902,177                                    | 60,929                                     | -                                     | -          | 1,062,044    |
| U.S. Treasury Bonds   | -                                  | -  | 66,662                                     | -                                     | -          | 66,662       |
| U.S. Treasury Strips  | -                                  | 18,883                                     | 13,594                                     | -                                     | -          | 32,477       |
| U.S. Government Agency<br>Discount Notes                                  | 25,163                             | 127,553                                    | 2,294                                      | -                                     | -          | 155,010      |
| U.S. Government Agency  | -                                  | 245,093                                    | 48,484                                     | -                                     | -          | 293,577      |
| Mortgage-backed   | 287,526                            | 384,278                                    | 467,342                                    | -                                     | -          | 1,139,146    |
| Other Asset-backed  | 806,353                            | 96,559                                     | 32,868                                     | -                                     | -          | 935,780      |
| Corporate Bonds   | 365,707                            | 291,343                                    | 219,415                                    | -                                     | -          | 876,465      |
| Yankees:  |                                    |  |  |                                       |            |              |
| Government  | -                                  | -  | 3,914                                      | -                                     | -          | 3,914        |
| Corporate   | 14,000                             | 755  | 4,728                                      | -                                     | -          | 19,483       |
| Domestic Fixed Income - Indexed   | -                                  | -  | -  | -                                     | 26,028     | 26,028       |
| Domestic Equity - Indexed   | -                                  | -  | -  | -                                     | 569,531    | 569,531      |
| International Equity  | -                                  | -  | -  | -                                     | 164,561    | 164,561      |
| Total Invested Assets   | 1,868,913                          | 2,066,641                                  | 920,230                                    | 22,582                                | 912,365    | 5,790,731    |
| Pool related net assets<br>(liabilities)                                  | 18,627                             | (115,703)                                  | (14,723)                                   | -                                     | 889        | (110,910)    |
| Net Invested Assets<br>before earnings<br>distribution to<br>participants | 1,887,540                          | 1,950,938                                  | 905,507                                    | 22,582                                | 913,254    | 5,679,821    |
| Earnings payable to<br>participants                                       | (5,157)                            | 162  | 213  | -                                     | -          | (4,782)      |
| Other pool ownership  | (61,952)                           | 27,122                                     | 34,830                                     | -                                     | -          | -            |
| Other fiduciary responsibility:   |                                    |  |  |                                       |            |              |
| Alaska State Pension<br>Investment Board                                  | (94,459)                           | -  | -  | -                                     | -          | (94,459)     |
| Exxon Valdez Oil Spill<br>Trustee Council                                 | (8)                                | -  | (68,445)                                   | -                                     | (110,696)  | (179,149)    |
| University of Alaska  | (1)                                | -  | -  | -                                     | (49,188)   | (49,189)     |
| Alaska Mental Health<br>Trust Authority                                   | -                                  | (25,576)                                   | -  | -                                     | -          | (25,576)     |
| Commissioner's fiduciary<br>responsibility                                | \$ 1,725,963                       | \$ 1,952,646                               | \$ 872,105                                 | \$ 22,582                             | \$ 753,370 | \$ 5,326,666 |

## Interest Rate Risk

### Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2005, the expected average life of

individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from less than one year to three years.

Intermediate-term and Broad Market Fixed Income Pools

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its other fixed income pool portfolios to the following:

Intermediate-term Fixed Income Pool -  $\pm$  20 percent of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2005, was 2.31 years.

Broad Market Fixed Income Pool -  $\pm$  20 percent of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2005, was 4.16 years.

At June 30, 2005, the effective duration by investment type was as follows:

|                              | <u>Effective Duration (in years)</u>           |   |
|------------------------------|--|---|
|                              | <u>Intermediate-term<br/>Fixed Income Pool</u> | <u>Broad Market Fixed<br/>Income Pool</u> |
| U.S. Treasury Notes          | 2.26   | 3.91                                      |
| U.S. Treasury Bonds          | -  | 10.39                                     |
| U.S. Treasury Strips         | 0.86   | 15.97                                     |
| U.S. Government Agency       | 3.01   | 7.00                                      |
| Mortgage-backed              | 2.01   | 2.41                                      |
| Other Asset-backed           | 0.84   | 1.31                                      |
| Corporate Bonds              | 2.60   | 5.39                                      |
| Yankees:                     |  |   |
| Government                   | -  | 6.50                                      |
| Corporate                    | 3.09   | 9.86                                      |
| Portfolio Effective Duration | 2.10   | 4.10                                      |

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the effective duration calculation.

Other Fixed Income

The Tobacco Revenue Fixed Income securities are invested according to the terms of the related bond indentures. The respective bond indentures do not establish policy with regard to interest rate risk.

Treasury has no policy with regard to interest rate risk for the money market balance held in the International Equity Pool.

**Credit Risk**

Treasury's investment policy has the following limitations with regard to credit risk:

With the exception of the sweep account, Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least A1 or equivalent. For

securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is A3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

Intermediate-term and Broad Market Fixed Income Pool investments are limited to securities with a long-term credit rating of at least BBB3 or equivalent and securities with a short-term credit rating of at least A1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is BBB3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA.

The bond indentures governing the investment of tobacco revenue related bond proceeds limits the investment in commercial paper to only those securities rated A1 or equivalent.

Treasury has no policy with regard to credit risk for the money market balance held in the International Equity Pool.

At June 30, 2005, the Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

| <u>Investment Type</u>                    | <u>Rating<sup>1</sup></u> | <u>Short-term<br/>Fixed<br/>Income<br/>Pool</u> | <u>Intermediate-<br/>term Fixed<br/>Income Pool</u> | <u>Broad<br/>Market<br/>Fixed<br/>Income<br/>Pool</u> | <u>International<br/>Equity Pool</u> |
|---|---------------------------|---|---|---|--------------------------------------|
| Money Market                              | AAA                       | -   | -   | -   | 3%                                   |
| Commercial Paper                          | A                         | 8%  | -   | -   | -                                    |
| U.S. Government Agency<br>Discount Notes  | Not Rated                 | 1%  | 7%  | -   | -                                    |
| U.S. Government Agency<br>Mortgage-backed | Not Rated                 |   | 13%   | 6%  | -                                    |
|   | AAA                       | 15%   | 6%  | 11%   | -                                    |
| Mortgage-backed (Agency)                  | Not Rated                 | -   | 11%   | 41%   | -                                    |
| Other Asset-backed                        | AAA                       | 39%   | 4%  | 3%  | -                                    |
| Other Asset-backed                        | A                         | 3%  | 1%  | -   | -                                    |
| Corporate Bonds                           | AAA                       | 1%  | 1%  | 2%  | -                                    |
| Corporate Bonds                           | AA                        | 11%   | 2%  | 2%  | -                                    |
| Corporate Bonds                           | A                         | 9%  | 6%  | 7%  | -                                    |
| Corporate Bonds                           | BBB                       | -   | 6%  | 12%   | -                                    |
| Yankees - Corporate                       | A                         | 1%  | -   | -   | -                                    |
| No Credit Exposure                        |                           | 12%   | 43%   | 16%   | 97%                                  |
|   |                           | <u>100%</u>                                     | <u>100%</u>   | <u>100%</u>   | <u>100%</u>                          |

<sup>1</sup>Rating modifiers are not disclosed.

At June 30, 2005, the Tobacco Revenue Fixed Income consisted of commercial paper rated A and the securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.



Custodial Credit Risk – Deposits

Treasury’s policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds does not establish policy with regard to custodial credit risk. At June 30, 2005, the state had the following uncollateralized and uninsured deposits:

|                               | <b>Amount</b><br><b>(in thousands)</b> |
|-------------------------------|--|
| Non-interest Bearing Deposits | \$ 11                                  |
| International Equity Pool     | 110                                    |
| Tobacco Revenue Fixed Income  | 2                                      |
|                               | <u>\$ 123</u>                          |

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than 5 percent of a pool’s holdings in corporate bonds of any one company or affiliated group. At June 30, 2005, more than 5 percent of investments were held in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities as follows:

|  | <b>Fair Value</b><br><b>(in thousands)</b> | <b>Percent of</b><br><b>Total</b><br><b>Investments</b> |
|--|--|---|
| Federal Home Loan Mortgage Corporation | \$ 379,744                                 | 7%  |
| Federal National Mortgage Association  | \$ 650,040                                 | 11%   |

**Foreign Currency Risk**

The Commissioner of Revenue (for Exxon Valdez Oil Spill Investments, the Exxon Valdez Trustee Council) formally adopts asset allocation policies which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during fiscal year 2005 and invested assets included the following holdings at June 30, 2005, for the funds invested in the International Equity Pool:

|  | <b>Policy</b> | <b>Actual</b> |
|--|---------------|---------------|
| Constitutional Budget Reserve Fund, Subaccount | 16% ± 5%      | 18.03%        |
| Power Cost Equalization Endowment Fund         | 17% ± 5%      | 19.08%        |
| Retiree Health Insurance Fund, Long Term Care  | 18% ± 4%      | 17.39%        |
| Exxon Valdez Oil Spill Investments             | 17% ± 5%      | 19.44%        |

At June 30, 2005, the International Equity Pool had exposure to foreign currency risk as follows:

|                                    | <u>Currency</u> | <u>Fair Value</u><br>(in thousands) |
|------------------------------------|-----------------|-------------------------------------|
| Deposits:                          |                 |                                     |
| Japanese Yen                       |                 | \$ 109                              |
| Investments - International Equity |                 |                                     |
| Euro Currency                      |                 | 69,006                              |
| Japanese Yen                       |                 | 36,318                              |
| Norwegian Krone                    |                 | 1,946                               |
| Pound Sterling                     |                 | 38,427                              |
| Singapore Dollar                   |                 | 1,887                               |
| Swiss Franc                        |                 | 16,977                              |
|                                    |                 | <u>164,561</u>                      |
| Total                              |                 | <u>\$ 164,670</u>                   |

### Securities Lending

Alaska Statute 37.10.071 authorizes the Commissioner of Revenue to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Commissioner of Revenue entered into an agreement with State Street Corporation (the Bank) to lend fixed income and equity securities. The Bank, acting as the Commissioner of Revenue's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2005, the fair value of securities on loan totaled \$138 million which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner of Revenue. There is no limit to the amount that can be loaned and the Commissioner of Revenue is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost. Maturities of investments in the money market fund generally do not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral may be pledged or sold upon borrower default. Since the Commissioner of Revenue does not have the ability to pledge or sell the securities collateral unless the borrower defaults, they are not recorded on the combined schedules. Securities under loan, cash collateral and cash collateral payable are recorded on the combined schedules. The Bank, participating funds and the borrower receive a fee from earnings on invested collateral. The Bank and participating funds share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since the Commissioner of Revenue is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies the Commissioner of Revenue against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2005, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

**B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA STATE PENSION INVESTMENT BOARD**

Invested assets of the pension (and other employee benefit) trust funds (Public Employees', Teachers', Judicial, and the Alaska National Guard and Naval Militia Retirement Systems) as well as the Supplemental Benefits System and Deferred Compensation Plans are under the fiduciary responsibility of the Alaska State Pension Investment Board (ASPIB).

PENSION FUNDS

ASPIB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ASPIB has the statutory authority (AS 14.25.180, AS 22.25.048, AS 26.05.228, AS 39.35.080 and AS 37.10.071) to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division (Treasury) or by contracted external investment managers. ASPIB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the Securities Lending Collateral, External Domestic Fixed Income Pool, International Fixed Income Pool, High Yield Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Other Investments Pool and, with the exception of real estate investment trust holdings, the Real Estate Pool are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, real estate investment trust holdings and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-term Fixed Income Pool is a pool that the Commissioner of Revenue has fiduciary responsibility for.

Additional information related to the various pools and investments is disclosed in the financial schedules issued by ASPIB. These financial schedules are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405 or at [www.revenue.state.ak.us/treasury](http://www.revenue.state.ak.us/treasury).

Deposits and investments at June 30, 2005 are as follows:

|  | <b>Fair Value (in thousands)</b> |                     |                      |                   |                      | <b>Total</b>         |
|--|----------------------------------|---------------------|----------------------|-------------------|----------------------|----------------------|
|  | <b>Fixed Income Pools</b>        |                     |                      |                   | <b>Other</b>         |                      |
|  | <b>Short-term</b>                | <b>Domestic</b>     | <b>International</b> | <b>High Yield</b> |                      |                      |
| Deposits   | \$                               | \$                  | \$                   | \$                | \$                   | \$                   |
| Overnight Sweep Account  | 132                              | 1,398               |                      | 54,809            |                      | 56,339               |
| Money Market Fund  |                                  |                     |                      |                   | 976,367              | 976,367              |
| Short-term Investment Fund                                     |                                  |                     | 3,275                |                   | 33,054               | 36,329               |
| Commercial Paper   | 7,316                            | 13,784              |                      |                   |                      | 21,100               |
| U. S. Treasury Bills   | 5,729                            |                     |                      |                   |                      | 5,729                |
| U. S. Treasury Notes   | 4,975                            | 150,728             |                      |                   |                      | 155,703              |
| U. S. Treasury Bonds   |                                  | 183,894             |                      |                   |                      | 183,894              |
| U. S. Treasury Strips  |                                  | 37,425              |                      |                   |                      | 37,425               |
| U.S. Government Agency   |                                  |                     |                      |                   |                      |                      |
| Discount Notes   | 1,265                            | 10,802              |                      |                   |                      | 12,067               |
| U.S. Government Agency   |                                  | 186,352             |                      |                   |                      | 186,352              |
| Municipal Bonds  |                                  | 1,449               |                      |                   |                      | 1,449                |
| Foreign Government Bonds                                       | 29                               | 3,999               | 314,101              |                   |                      | 318,129              |
| Mortgage-backed  | 14,512                           | 1,361,454           |                      |                   |                      | 1,375,966            |
| Other Asset-backed   | 40,506                           | 168,622             |                      | 399               |                      | 209,527              |
| Corporate Bonds  | 18,354                           | 637,354             | 146,235              | 139,003           |                      | 940,946              |
| Convertible Bonds  |                                  |                     |                      | 2,121             |                      | 2,121                |
| Yankees:   |                                  |                     |                      |                   |                      |                      |
| Government   |                                  | 14,149              |                      |                   |                      | 14,149               |
| Corporate  | 704                              | 10,319              |                      | 4,281             |                      | 15,304               |
| Domestic Equity Pool:  |                                  |                     |                      |                   |                      |                      |
| Limited Partnership  |                                  |                     |                      |                   | 262,868              | 262,868              |
| Equity   |                                  |                     |                      |                   | 4,545,259            | 4,545,259            |
| International Equity Pool:                                     |                                  |                     |                      |                   |                      |                      |
| Convertible Bonds  |                                  |                     |                      |                   | 461                  | 461                  |
| Equity   |                                  |                     |                      |                   | 1,928,767            | 1,928,767            |
| Emerging Markets Equity Pool                                   |                                  |                     |                      |                   | 206,276              | 206,276              |
| Private Equity Pool:   |                                  |                     |                      |                   |                      |                      |
| Limited Partnerships   |                                  |                     |                      |                   | 557,295              | 557,295              |
| Absolute Return Pool:  |                                  |                     |                      |                   |                      |                      |
| Limited Partnerships   |                                  |                     |                      |                   | 309,030              | 309,030              |
| Other Investments Pool:  |                                  |                     |                      |                   |                      |                      |
| Limited Partnerships   |                                  |                     |                      |                   | 22,153               | 22,153               |
| Agricultural Holdings  |                                  |                     |                      |                   | 24,454               | 24,454               |
| Real Estate Pool:  |                                  |                     |                      |                   |                      |                      |
| Real Estate  |                                  |                     |                      |                   | 699,494              | 699,494              |
| Commingled Funds   |                                  |                     |                      |                   | 254,221              | 254,221              |
| Limited Partnerships   |                                  |                     |                      |                   | 154,035              | 154,035              |
| Real estate investment trusts                                  |                                  |                     |                      |                   | 112,622              | 112,622              |
| Mortgages  |                                  |                     |                      |                   | 58                   | 58                   |
| Net Other Assets (Liabilities)                                 | 954                              | 24,619              | (2,416 )             | 2,556             | 11,675               | 37,388               |
| Ownership by Other Pools                                       | (93,108 )                        | 37,326              |                      |                   | 55,782               | -                    |
| Deposits and Investments                                       | <u>\$ 1,368</u>                  | <u>\$ 2,843,674</u> | <u>\$ 470,910</u>    | <u>\$ 203,169</u> | <u>\$ 10,158,360</u> | <u>\$ 13,677,481</u> |
| <br><u>Participant's Ownership in Pooled Investments</u>       |                                  |                     |                      |                   |                      |                      |
| Public Employees' Trust Fund                                   |                                  |                     |                      |                   |                      | \$ 9,246,339         |
| Teachers' Trust Fund   |                                  |                     |                      |                   |                      | 4,335,149            |
| Judicial Trust Fund  |                                  |                     |                      |                   |                      | 79,819               |
| Alaska National Guard and Alaska Naval Militia Retirement Fund |                                  |                     |                      |                   |                      | 16,174               |
| Total  |                                  |                     |                      |                   |                      | <u>\$ 13,677,481</u> |

**Interest Rate Risk**

Through ASPIB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the domestic fixed income portfolio to  $\pm 20$  percent of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2005, was 4.16 years.

Through ASPIB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to  $\pm 25$  percent of the Citigroup Non-U.S. World Government Bond Index. The effective duration for the Citigroup Non-U.S. World Government Bond Index at June 30, 2005, was 6.09 years.

Through ASPIB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield portfolio to  $\pm 20$  percent of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2005, was 4.58 years. The High Yield Pool was funded April 15, 2005. Investment managers were in the transition period at year end working towards fully investing allocated funds. Funds not invested at year end have no duration causing the pool's duration to be lower than the policy limit.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options and other variable cash flows for purposes of the effective duration calculation.

At June 30, 2005, the effective duration of the fixed income pools, by investment type, was as follows:

|                              | <b>Effective Duration (in years)</b> |                      |                   |
|------------------------------|--------------------------------------|----------------------|-------------------|
|                              | <b>Domestic</b>                      | <b>International</b> | <b>High Yield</b> |
| U.S. Treasury Notes          | 3.27                                 | -                    | -                 |
| U.S. Treasury Bonds          | 10.10                                | -                    | -                 |
| U.S. Treasury Strips         | 17.29                                | -                    | -                 |
| U.S. Government Agency       | 5.69                                 | -                    | -                 |
| Municipal Bonds              | 13.95                                | -                    | -                 |
| Foreign Government Bonds     | -                                    | 5.59                 | -                 |
| Mortgage-backed              | 2.50                                 | -                    | -                 |
| Other Asset-backed           | 1.19                                 | -                    | 5.28              |
| Corporate Bonds              | 5.27                                 | 4.17                 | 3.59              |
| Convertible Bonds            | -                                    | -                    | 4.54              |
| Yankees                      |                                      |                      |                   |
| Government                   | 6.98                                 | -                    | -                 |
| Corporate                    | 7.68                                 | -                    | 4.43              |
| Portfolio Effective Duration | 3.99                                 | 5.00                 | 2.64              |

**Credit Risk**

ASPIB's investment policy has the following limitations with regard to credit risk:

**Domestic Fixed Income:**

Commercial paper must carry a rating of at least A1 or equivalent;

Corporate debt securities must be investment grade;

Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities

may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

International Fixed Income:

Corporate debt and asset-backed securities must be investment grade.

Domestic and International Equity:

Corporate debt obligations must carry a rating of at least A or equivalent.

High Yield

No more than 10 percent of the portfolio's assets may be invested in securities rated A3 or higher.

No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.

No more than 5 percent of the portfolio's assets may be invested in unrated securities.

The lower of any Standard & Poor's Corporation, Moody's or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher.

Daily cash surpluses that arise in this pool are invested in the custodian's repurchase agreement sweep account. This account is secured by U.S. Government or Agency securities. As such, ASPIB does not consider this investment subject to the credit risk limitations above.

At June 30, 2005, Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

|  | Rating <sup>1</sup> | Fixed Income Pool |               | High Yield  | International Equity |
|--|---------------------|-------------------|---------------|-------------|----------------------|
|  |                     | Domestic          | International |             |                      |
| Overnight Sweep Account                    | Not Rated           | -                 | -             | 27%         | -                    |
| Short-term Investment Account              | Not Rated           | -                 | 1%            | -           | 1%                   |
| Commercial Paper                           | A                   | 1%                | -             | -           | -                    |
| U. S. Government Agency Discount Notes     | Not Rated           | -                 | -             | -           | -                    |
| U. S. Government Agency Foreign Government | Not Rated           | 6%                | -             | -           | -                    |
| Foreign Government                         | AAA                 | -                 | 53%           | -           | -                    |
| Foreign Government                         | AA                  | -                 | 9%            | -           | -                    |
| Foreign Government                         | A                   | -                 | 5%            | -           | -                    |
| Mortgage-backed                            | AAA                 | 13%               | -             | -           | -                    |
| Mortgage-backed (Agency)                   | Not Rated           | 34%               | -             | -           | -                    |
| Other Asset-backed                         | AAA                 | 6%                | -             | -           | -                    |
| Other Asset-backed                         | A                   | -                 | -             | -           | -                    |
| Corporate Bonds                            | AAA                 | 3%                | 24%           | -           | -                    |
| Corporate Bonds                            | AA                  | 3%                | 7%            | -           | -                    |
| Corporate Bonds                            | A                   | 7%                | -             | -           | -                    |
| Corporate Bonds                            | BBB                 | 10%               | -             | 1%          | -                    |
| Corporate Bonds                            | BB                  | -                 | -             | 17%         | -                    |
| Corporate Bonds                            | B                   | -                 | -             | 43%         | -                    |
| Corporate Bonds                            | CCC                 | -                 | -             | 8%          | -                    |
| Convertible Bonds                          | B                   | -                 | -             | 1%          | -                    |
| Yankees:                                   |                     |                   |               |             |                      |
| Government                                 | BBB                 | 1%                | -             | -           | -                    |
| Corporate                                  | A                   | -                 | -             | -           | -                    |
| Corporate                                  | BB                  | -                 | -             | 1%          | -                    |
| Corporate                                  | B                   | -                 | -             | 1%          | -                    |
| No credit exposure                         |                     | 16%               | 1%            | 1%          | 99%                  |
|  |                     | <u>100%</u>       | <u>100%</u>   | <u>100%</u> | <u>100%</u>          |

<sup>1</sup>Rating modifiers are not disclosed.

Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

#### Custodial Credit Risk – Deposits

ASPIB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2005, Invested Assets had the following uncollateralized and uninsured deposits:

|                                 | Amount<br>(in thousands) |
|---------------------------------|--------------------------|
| International Fixed Income Pool | \$ 9,715                 |
| International Equity Pool       | 4,389                    |
|                                 | <u>\$ 14,104</u>         |

**Foreign Currency Risk**

ASPIB's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citibank Non-U.S. World Government Bond Index.

In addition, ASPIB's asset allocation policy limits total investments in international fixed income, international equity, emerging markets and private equity to the following:

| Pension Fund   | International<br>Fixed<br>Income Pool | International Equity<br>and Emerging<br>Markets Pool | Private Equity<br>Pool |
|--|---------------------------------------|--|------------------------|
| Public Employees' Retirement System                          | 4%                                    | 18%  | 10%                    |
| Teachers' Retirement System                                  | 4%                                    | 18%  | 10%                    |
| Judicial Retirement System                                   | 5%                                    | 21%  | -                      |
| Alaska National Guard and Naval<br>Militia Retirement System | -                                     | 15%  | -                      |

At June 30, 2005, the Pension Funds had exposure to foreign currency risk with the following deposits:

| Currency           | Amount (in thousands)              |                              |
|--------------------|------------------------------------|------------------------------|
|                    | International Fixed<br>Income Pool | International<br>Equity Pool |
| Australian Dollar  | \$ 101                             | \$ 36                        |
| Canadian Dollar    | -                                  | 30                           |
| Danish Krone       | -                                  | 186                          |
| Euro Currency      | -                                  | 656                          |
| Hong Kong Dollar   | -                                  | 252                          |
| Japanese Yen       | 9,614                              | 1,736                        |
| New Zealand Dollar | -                                  | 3                            |
| Norwegian Krone    | -                                  | 367                          |
| Pound Sterling     | -                                  | 341                          |
| Singapore Dollar   | -                                  | 4                            |
| South Korean Won   | -                                  | 1                            |
| Swiss Franc        | -                                  | 6                            |
|                    | <u>\$ 9,715</u>                    | <u>\$ 3,618</u>              |



At June 30, 2005, the Pension Funds had exposure to foreign currency risk with the following investments:

| Currency           | Amount (in thousands)           |                   |                           |                     |                      |
|--------------------|---------------------------------|-------------------|---------------------------|---------------------|----------------------|
|                    | International Fixed Income Pool |                   | International Equity Pool |                     | Private Equity Pool  |
|                    | Foreign Government              | Corporate         | Convertible Bonds         | Equity              | Limited Partnerships |
|                    |                                 |                   |                           |                     |                      |
| Australian Dollar  | \$ -                            | \$ -              | \$ -                      | \$ 32,339           | \$ -                 |
| Canadian Dollar    | -                               | -                 | -                         | 30,153              | -                    |
| Danish Krone       | -                               | -                 | -                         | 4,205               | -                    |
| Euro Currency      | -                               | 5,954             | -                         | 724,220             | 57,509               |
| Hong Kong Dollar   | -                               | -                 | -                         | 19,745              | -                    |
| Japanese Yen       | 41,229                          | 140,281           | -                         | 392,494             | -                    |
| New Zealand Dollar | -                               | -                 | -                         | 7,276               | -                    |
| Norwegian Krone    | -                               | -                 | -                         | 18,567              | -                    |
| Polish Zloty       | 25,038                          | -                 | -                         | -                   | -                    |
| Pound Sterling     | -                               | -                 | -                         | 383,566             | 1,237                |
| Singapore Dollar   | -                               | -                 | -                         | 27,147              | -                    |
| South African Rand | -                               | -                 | -                         | 6,908               | -                    |
| South Korean Won   | -                               | -                 | -                         | 14,370              | -                    |
| Swedish Krona      | 247,834                         | -                 | -                         | 16,961              | -                    |
| Swiss Franc        | -                               | -                 | 461                       | 159,480             | -                    |
|                    | <u>\$ 314,101</u>               | <u>\$ 146,235</u> | <u>\$ 461</u>             | <u>\$ 1,837,431</u> | <u>\$ 58,746</u>     |

At June 30, 2005, the Pension Funds also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool represents an investment in commingled investment funds; therefore no disclosure of specific currencies is made.

### Concentration of Credit Risk

ASPIB's policy with regard to concentration of credit risk for the Domestic Fixed Income, International Fixed Income and High Yield Pools is to prohibit the purchase of more than 5 percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

At June 30, 2005, the Pension Funds invested assets included \$877 million in Federal National Mortgage Association securities which represented 6 percent of total Pension Funds invested assets.

### Foreign Exchange, Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Fixed Income and International Equity Pool's investment income includes the following at June 30:

|  | <u>2005</u>    | <u>2004</u>    |
|--|----------------|----------------|
| Realized Gain on Foreign Currency                  | \$ 181,611,622 | \$ 130,669,354 |
| Unrealized Gain (Loss) on Foreign Currency         | (39,974)       | 28,763         |
| Realized Gain (Loss) on Foreign Exchange Contracts | (325,579)      | 122,042        |

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity periods for these contracts range from eight to one hundred and twenty-four days. The Pension Funds had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, as follows:

|                               | <u>2005</u>       | <u>2004</u>         |
|-------------------------------|-------------------|---------------------|
| Net Contract Sales            | \$ 9,712,575      | \$ 7,442,749        |
| Less: Fair Value              | <u>9,292,405</u>  | <u>7,935,218</u>    |
| Net unrealized gains (losses) | <u>\$ 420,170</u> | <u>\$ (492,469)</u> |

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

### Securities Lending

Alaska Statute 37.10.071 authorizes ASPIB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. ASPIB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed income securities. The Bank, acting as ASPIB's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2005, the fair value of securities on loan allocable to the Pension Funds totaled \$951 million. There is no limit to the amount that can be loaned and ASPIB is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund which is valued at amortized cost. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. Securities collateral may be pledged or sold upon borrower default. Since ASPIB does not have the ability to pledge or sell securities collateral unless the borrower defaults, they are not recorded on the financial schedules. Securities on loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank, Pension Funds and the borrower receive a fee from earnings on invested collateral. The Bank and Pension Funds share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since ASPIB is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies ASPIB against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2005, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

### DEFERRED COMPENSATION

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds and an Interest Income Fund. At December 31, 2004, Deferred Compensation Plan investments totaled \$447 million.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203.

**Interest Rate Risk**

Collective Investment and Money Market Funds

ASPIB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for the Deferred Compensation Plan are subject to the provisions of the collective investment funds ASPIB has selected. In addition, the Deferred Compensation Plan maintains a balance in a commingled money market portfolio.

ASPIB does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2004, were as follows:

|                             | <u>Fair Value</u><br>(in thousands) | <u>Weighted</u><br><u>Average Maturity</u> |
|-----------------------------|-------------------------------------|--|
| Government/Credit Bond Fund | \$ 26,795                           | 7.57 years                                 |
| Intermediate Bond Fund      | 9,982                               | 3.82 years                                 |
| Bond Fund                   | 143                                 | 6.6 years                                  |
| Money Market Fund           | 565                                 | 33 days                                    |

Interest Income Fund

ASPIB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a Reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through ASPIB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 4.45 years at December 31, 2004. The duration of the Lehman Brother's Aggregate Bond Index was 4.34 years at December 31, 2004.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 2 years at December 31, 2004.

Duration is a measure of interest rate risk. In the case of the Deferred Compensation Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows. Duration of the Deferred Compensation Plan's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

ASPIB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of twenty-seven days at December 31, 2004.

**Credit Risk**

ASPIB does not have a policy to limit credit risk for the Deferred Compensation Plan's Collective Investment Funds and the commingled money market portfolio. These investments are not rated.

ASPIB's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve:

- Synthetic Investment contract issuers must have an investment grade rating,
- Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent,
- Corporate debt securities must have a minimum rating of BBB or equivalent,
- Asset-backed securities must have a minimum rating of AAA or equivalent,
- Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association,

Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by Agency mortgage-backed securities listed above,  
 The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2004, the investments underlying the synthetic investment contracts and the Reserve consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

| <u>Synthetic investment contracts</u>                | <u>Rating</u> | <u>Fair Value</u><br>(in thousands) |
|--|---------------|-------------------------------------|
| Short-Term Investment Fund                           | Not Rated     | \$ 5,334                            |
| U.S. Agency Securities                               | Not Rated     | 3,174                               |
| Mortgage-backed Securities                           | Not Rated     | 14,709                              |
| Foreign Government Bonds denominated in U.S. dollars | AA            | 1,103                               |
| Corporate Bonds                                      | AAA           | 3,204                               |
| Corporate Bonds                                      | AA            | 8,269                               |
| Corporate Bonds                                      | A             | 29,557                              |
| Corporate Bonds                                      | BBB           | 7,784                               |
| Foreign Corporate Bonds denominated in U.S. dollars  | BBB           | 555                                 |
| Asset Backed Securities                              | AAA           | 31,663                              |
| Investments with no credit exposure                  |               | 17,805                              |
| Total  |               | <u>\$ 123,157</u>                   |
| Reserve – Short-term Investment Fund                 | Not Rated     | <u>\$ 5,564</u>                     |

**Concentration of Credit Risk**

ASPIB does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

ASPIB's policy with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Interest Income Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

| <u>Investment Type</u>  | <u>Issuer</u> | <u>All Issuers</u> |
|---|---------------|--------------------|
| U.S. Treasury and Agencies  | 100%          | 100%               |
| Mortgage-backed securities and collateralized Mortgage Obligations secured by Mortgage-backed securities limited to sequential class or PAC1 and II Collateralized Mortgage Obligations | 50%           | 50%                |
| Asset-backed Securities   | 5%            | 50%                |
| Domestic and Foreign Corporate Debt Securities  | 5%            | 50%                |
| Supranational Agency and Foreign Government entity securities   | 5%            | 50%                |
| Money Market Instruments – Non Gov/Agency   | 5%            | 100%               |
| Custodian Short-term Investment Fund  | 100%          | 100%               |

The maximum exposure to securities rated BBB is limited to 20 percent of the total value underlying synthetic investment contracts.

For the Reserve, the total investment of any single issuer of money market instruments may not exceed 5 percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

At December 31, 2004, the Deferred Compensation Plan had no exposure to a single issuer in excess of 5 percent of total invested assets.

### **Foreign Currency Risk**

ASPIB does not have a policy to limit foreign currency risk associated with collective investment funds. The Deferred Compensation Plan has exposure to foreign currency risk in the International Equity and Global Balanced collective investment funds.

ASPIB's policy with regard to the Interest Income Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

### **SUPPLEMENTAL BENEFITS SYSTEM**

The State's Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State's internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly owned Pooled Investment Funds. At January 31, 2005, Supplemental Benefits System (SBS) investments totaled \$1.9 billion.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99811-0203.

### **Interest Rate Risk**

#### **Collective Investment and Money Market Funds**

ASPIB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for SBS are subject to the provisions of the collective investment funds ASPIB has selected. In addition, SBS maintains a balance in a commingled money market portfolio.

ASPIB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consists solely of debt securities (Government/Corporate Bond Fund) was 5.33 years at January 31, 2005. The weighted average maturity of the money market portfolio was thirty-two days at January 31, 2005.

#### **Short-term Fixed Income Pool**

SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool which is under the fiduciary responsibility of the Commissioner of Revenue. At January 31, 2005, the expected average life of individual fixed rate securities ranged from one day to five months and the expected average life of floating rate securities ranged from fourteen days to three years.

#### **Stable Value Fund**

ASPIB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a Reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through ASPIB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 4.39 years at January 31, 2005. The duration of the Lehman Brothers' Aggregate Bond Index was 4.22 years at January 31, 2005.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 2.08 years at January 31, 2005.

Duration is a measure of interest rate risk. In the case of SBS's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

ASPIB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of twenty-seven days at January 31, 2005.

#### Pooled Investment Funds

ASPIB contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate six participant directed funds. Through ASPIB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

For government and corporate debt securities, duration is limited to  $\pm 0.25$  years of the Lehman Brothers Government/Credit Index. At January 31, 2005, the duration of the government and corporate debt securities was 5.23 years and the duration of the Lehman Brothers Government Credit Index was 5.18 years.

For mortgage-backed securities, duration is limited to  $\pm 0.25$  years of the Lehman GNMA Index. At January 31, 2005, the duration of the mortgage-backed securities was 1.99 years and the duration of the Lehman GNMA Index was 2.00 years.

Duration is a measure of a security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

ASPIB does not have a policy to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

#### **Credit Risk**

ASPIB does not have a policy to limit credit risk for SBS's Collective Investment Funds and commingled money market portfolio. These investments are not rated.

ASPIB's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve:

Synthetic investment contract issuers must have an investment grade rating,  
Supranational Agency and Foreign Government entity investments must have a minimum rating of A or equivalent,  
Corporate debt securities must have a minimum rating of BBB or equivalent,  
Asset-backed securities must have a minimum rating of AAA or equivalent,  
Mortgage-backed securities are allowed if issued by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Government National Mortgage Association,  
Sequential class or type 1 or 2 planned amortization class collateralized mortgage obligations are allowed only if securitized by mortgage-backed securities listed above and  
The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

ASPIB's investment policy has the following limitations with regard to credit risk for wholly owned pooled investments:

All government and corporate fixed income securities must be rated BBB or better at time of purchase,  
 All mortgage-backed securities must be issued by the Government National Mortgage Association and  
 Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

At January 31, 2005, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

| Investment Type                                   | Rating    | Fair Value (in thousands)          |  |                      |                                   |
|---|-----------|------------------------------------|--|----------------------|-----------------------------------|
|   |           | Short-term<br>Fixed Income<br>Pool | Underlying<br>Synthetic<br>Investment<br>Contracts | Wholly<br>owned Pool | Collective<br>Investment<br>Funds |
| Investments with credit exposure:                 |           |                                    |  |                      |                                   |
| Overnight Sweep Account                           | Not Rated | \$ 8                               | \$   | \$                   | \$                                |
| Money Market Fund                                 | Not Rated |                                    |  |                      | 2,552                             |
| Short-term Investment Fund                        | Not Rated |                                    | 6,160  | 21,734               |                                   |
| Commercial Paper                                  | AA        | 25                                 |  |                      |                                   |
| Commercial Paper                                  | A         | 172                                |  | 52,655               |                                   |
| U.S. Government Agency<br>Discount Notes          | Not Rated | 87                                 |  | 3,990                |                                   |
| U.S. Government Agency                            | AA        |                                    |  | 493                  |                                   |
| U.S. Government Agency                            | Not Rated | 19                                 | 967  | 90,238               |                                   |
| Mortgage-backed                                   | AAA       | 209                                |  |                      |                                   |
| Mortgage-backed                                   | Not Rated | 25                                 | 7,004  |                      |                                   |
| Other Asset-backed                                | AAA       | 571                                | 12,617   |                      |                                   |
| Other Asset-backed                                | AA        | 32                                 |  |                      |                                   |
| Other Asset-backed                                | A         | 32                                 |  |                      |                                   |
| Corporate Bonds                                   | AAA       | 32                                 | 941  | 5,642                |                                   |
| Corporate Bonds                                   | AA        | 139                                | 2,800  | 14,209               |                                   |
| Corporate Bonds                                   | A         | 180                                | 12,895   | 95,993               |                                   |
| Corporate Bonds                                   | BBB       |                                    | 4,704  | 88,899               |                                   |
| Yankees:  |           |                                    |  |                      |                                   |
| Corporate   | AAA       |                                    | 199  | 4,970                |                                   |
| Corporate   | AA        |                                    | 203  | 332                  |                                   |
| Corporate   | A         | 3                                  |  | 1,026                |                                   |
| Corporate   | BBB       |                                    | 68   | 3,441                |                                   |
| Government  | AAA       |                                    |  | 2,867                |                                   |
| Government  | AA        |                                    |  | 5,235                |                                   |
| Government  | A         |                                    |  | 3,269                |                                   |
| Government  | BBB       |                                    |  | 4,163                |                                   |
| Deposits and Investments with no credit exposure: |           |                                    |  |                      |                                   |
| Deposits  |           |                                    |  | 2,729                |                                   |
| U.S. Treasury Bills                               |           | 65                                 |  |                      |                                   |
| U.S. Treasury Notes                               |           |                                    | 3,137  | 129,867              |                                   |
| U.S. Treasury Bonds                               |           |                                    | 1,535  | 48,807               |                                   |
| Mortgage-backed                                   |           |                                    | 4,941  | 197,677              |                                   |
| Collective Investment Funds                       |           |                                    |  |                      | 485,815                           |
| Domestic Equity                                   |           |                                    |  | 522,769              |                                   |
| International Equity                              |           |                                    |  | 33,173               |                                   |
| Total invested assets                             |           | 1,599                              | 58,171   | 1,334,178            | 488,367                           |
| Pool related net liabilities                      |           | (25 )                              |  | (5,014 )             |                                   |
| Total   |           | \$ 1,574                           | \$ 58,171  | \$ 1,329,164         | \$ 488,367                        |

**Concentration of Credit Risk**

ASPIB does not have a policy to limit concentration of credit risk in the collective investment and money market funds.

ASPIB’s policy with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Stable Value Fund’s total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

| <u>Investment Type</u>   | <u>Issuer</u> | <u>All Issuers</u> |
|--|---------------|--------------------|
| U.S. Treasury and Agencies   | 100%          | 100%               |
| Mortgage-backed securities and collateralized<br>Mortgage Obligations secured by Mortgage-<br>backed securities limited to sequential class or<br>PAC1 and II Collateralized Mortgage<br>Obligations | 50%           | 50%                |
| Asset-backed Securities  | 5%            | 50%                |
| Domestic and Foreign Corporate Debt Securities   | 5%            | 50%                |
| Supranational Agency and Foreign Government<br>entity securities   | 5%            | 50%                |
| Money Market Instruments – Non Gov/Agency  | 5%            | 100%               |
| Custodian Short-term Investment Fund   | 100%          | 100%               |

The maximum exposure to securities rated BBB is limited to 20 percent of the total value underlying synthetic investment contracts.

For the Reserve, the total investment of any single issuer of money market instruments may not exceed 5 percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

ASPIB’s policy with regard to concentration of credit risk for wholly owned pooled investments is as follows:

Equity holdings will be limited to 5 percent of the equity portfolio at the time of purchase,

With the exception of the U.S. Government or its agencies, fixed income holdings of any single issuer is limited to 2 percent of the total portfolio at the time of purchase,

Mortgage-backed securities must be those issued by the Government National Mortgage Association and

With the exception of the U.S. Government or its agencies, money market holdings of any single issuer are limited to no more than 5 percent of the portfolio at the time of purchase. This limitation does not apply to the investment funds maintained by the custodian.

At January 31, 2005, SBS had no exposure to a single issuer in excess of 5 percent of total invested assets.

**Foreign Currency Risk**

ASPIB does not have a policy to limit foreign currency risk associated with collective investment funds. SBS has exposure to foreign currency risk in the International Equity and the Global Balanced collective investment funds.

ASPIB’s policy with regard to the Stable Value Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.



ASPIB's policy with regard to pooled investments requires that all money market holdings be made in entities domiciled in the U.S. ASPIB has no policy with regard to other pooled investments.

At January 31, 2005, SBS had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

| <u>Currency</u>    | <u>Deposits</u> | <u>Equity</u><br>(Fair Value) |
|--------------------|-----------------|-------------------------------|
| Australian Dollar  | \$ 1            | \$ 2,006                      |
| Euro Currency      | 332             | 11,113                        |
| Hong Kong Dollar   |                 | 538                           |
| Japanese Yen       | 142             | 7,673                         |
| Pound Sterling     | 2               | 6,612                         |
| Swiss Franc        | 5               | 1,438                         |
| Danish Krone       |                 | 205                           |
| Mexican Peso       |                 | 380                           |
| Malaysian Ringgit  |                 | 41                            |
| Norwegian Krone    |                 | 663                           |
| New Zealand Dollar |                 | 159                           |
| Swedish Krona      |                 | 1,996                         |
| Singapore Dollar   |                 | 349                           |
|                    | <u>482</u>      | <u>33,173</u>                 |
| U.S. Dollar        | 2,247           |                               |
|                    | <u>\$ 2,729</u> | <u>\$ 33,173</u>              |

**Custodial Credit Risk**

ASPIB does not have a policy for custodial credit risk. At January 31, 2005, SBS's deposits were uncollateralized and uninsured.

**C. DEPOSITS AND INVESTMENTS MAINTAINED BY COMPONENT UNITS WHOSE ACCOUNTS ARE OUTSIDE OF THE STATE TREASURY**

There are many component units of the state that maintained their accounts outside of the state treasury. However, the overwhelming majority of the activity is within the Alaska Permanent Fund Corporation. Information on deposits and investments maintained by the other component units are available within their separately issued audit reports.

ALASKA PERMANENT FUND CORPORATION

**Investments and related policies**

Carrying value of investments

The Alaska Permanent Fund's (the "Fund") investments, excluding certain real estate investments, are reported at fair market value in the financial statements. Unrealized gains and losses are reported as components of net income. Fair market values are obtained from independent sources for marketable debt and equity securities and real estate investment trusts. Fair market values of alternative investments are determined by independent managers of such investments, who are under contract with the Corporation to provide such services.

Real estate commingled funds, private equity real estate investments, and direct mortgages are carried at the equity value, which is historical cost plus the Fund's share of undistributed earnings. If, upon analysis by management under applicable accounting rules, a permanent impairment of value has occurred, the investment is written down to fair market value by recording a realized loss on invested assets.

Securities transactions are recorded on the trade date that securities are purchased or sold.

Investment policy

The Trustees have established a long-term goal of achieving a 5 percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund investments among various asset classes. In order to allow for market fluctuations and to minimize transactions costs, the Trustees also adopted acceptable ranges around the targets. At June 30, 2005, the Corporation's asset allocation policy (with acceptable ranges) is as follows:

|                         |            |
|-------------------------|------------|
| Domestic equities       | 37% (± 6%) |
| International equities  | 18% (± 3%) |
| Domestic fixed income   | 28% (± 6%) |
| Non-dollar fixed income | 4% (± 3%)  |
| Real estate             | 10% (± 3%) |
| Private equity          | 2% (± 2%)  |
| Absolute return         | 1% (± 1%)  |

Per Alaska Statute 37.13.120, the Corporation must limit certain invested Fund assets in: (i) equity securities to 55 percent of total Fund investments, (ii) real estate investments to 15 percent, and (iii) up to 10 percent of total Fund investments in additional investments that meet the prudent investor rule, including those currently authorized by law. The statute further specifies limits on and acceptable investments in various other assets, such as certificates of deposit and residential mortgages.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. Pursuant to Alaska Statute 37.13.120, the Corporation may not invest Fund assets in equity securities that would result in ownership of more than 5 percent of the voting shares of any corporation. The Fund further manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among many managers with varying investment styles and mandates. The Corporation's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolution 02-09, and resolution 05-05, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments.

**Credit risk**

The Corporation requires that all fixed income corporate bonds and non-domestic bonds have at least one Nationally Recognized Statistical Rating Organization's (NRSRO) rating in a relevant jurisdiction, provided that no NRSRO rating may be below investment grade. Should the rating on an existing fixed income security fall below investment grade, the security must be sold within six months.

The Corporation does not have an allocation to cash. Managers are limited to the amount of cash they may hold, and most cash reflects pending transactions. The Corporation manages the aggregate cash position of all domestic equity and REIT managers and the internal fixed income portfolio in a Unitized Cash Fund (UCF). The UCF is primarily intended to serve as an efficient mechanism for investing daily transactional cash. UCF securities must be rated by at least two NRSROs comparable to Moody's or Standard & Poor's equivalents of P1 or A1 for short term investments.

**Custodial credit risk**

The Corporation generally requires that all investment securities be held in the name of the Fund or the Corporation. For non-domestic securities held by sub-custodians, the Corporation is indemnified against custodial credit risk by its primary custodian.

**Foreign currency risk**

Foreign currency risk arises when a loss may result from changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers through their decisions to enter into foreign currency forward contracts. As stated in Trustee resolution, Corporation policy, and manager contracts, managers are allowed to purchase foreign currency futures contracts in order to facilitate securities transactions or for defensive hedging of foreign currencies into the U.S. dollar. Also, policy prohibits managers from selling securities short or holding a net short position in any currency.

**Interest rate risk**

The Corporation manages the Fund’s exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio’s sensitivity to changes in interest rates. The duration of a portfolio is the average market value weighted duration of all bonds in the portfolio. In general, the major anticipated factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options.

The Corporation’s policy specifies an effective duration range for the long term domestic fixed income portfolios of 80 to 120 percent of the respective portfolio benchmark index’s duration, and for non-domestic fixed income securities a portfolio duration range of 50 to 150 percent of the respective portfolio benchmark index’s duration. The Corporation uses industry-standard analytical software to calculate effective duration. The software takes into account various possible interest rates, historical and estimated prepayment rates, call and put options, and other variable cash flows for the effective duration calculation. As an example, for a bond with a duration of 5.0, a one percentage point parallel decline in interest rates would result in a price increase on that bond of 5 percent.

For short-term debt investments, the Corporation’s policy states that the weighted average day count of the short-term UCF cannot exceed 150 days, with a final maximum maturity of 14 months for any single investment.

**Forward exchange contracts**

The Corporation, on behalf of the Fund, is party to a variety of forward currency contracts in its trading activities, and in the management of its foreign exchange rate exposure. These contracts are intended to guard against foreign currency fluctuations and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in net income at the time the contract is closed or matures, and are determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in net income and are calculated based on the difference between the contract rate and the forward market rate determined as of the balance sheet date.

**Short-Term Investments**

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2005 (in thousands).

|                                       |    |                         |
|---------------------------------------|----|-------------------------|
| U.S. agencies                         | \$ | 216,772                 |
| Treasury bills                        |    | 591,048                 |
| Domestic certificates of deposit      |    | 3,060                   |
| Commercial paper                      |    | 312,753                 |
| Total short-term investments          |    | <u>1,123,633</u>        |
| Cash                                  |    | 174,938                 |
| Total cash and short-term investments | \$ | <u><u>1,298,571</u></u> |

At June 30, 2005, all commercial paper and certificates of deposit were rated A-1 by Standard & Poor’s, P-1 by Moody’s, or an equivalent rating. U.S. agencies and treasury bills are either explicitly or implicitly guaranteed by the U.S. government and are not rated. Short-term investments held at fiscal year end 2005 in the UCF had a weighted average maturity of 27 days. At June 30, 2005, uninvested, uninsured cash of \$48,303,000 was held at the custodian or subcustodian banks. All remaining cash balances either were insured or were invested in short-term pooled investment funds, which were rated AAA by Standard & Poor’s.

**Marketable Debt Securities**

Marketable debt securities at June 30, 2005 are summarized as follows (in thousands):

|                                     | Cost                | Market              | Unrealized<br>gains/(losses) |
|-------------------------------------|---------------------|---------------------|------------------------------|
| Treasury notes/bonds                | \$ 2,323,651        | \$ 2,364,077        | \$ 40,426                    |
| Mortgage-backed securities          | 2,706,094           | 2,715,279           | 9,185                        |
| Other federal agencies              | 431,774             | 440,468             | 8,694                        |
| Corporate bonds                     | 2,176,551           | 2,237,612           | 61,061                       |
| Non-domestic bonds                  | 1,230,579           | 1,249,192           | 18,613                       |
| Total marketable<br>debt securities | <u>\$ 8,868,649</u> | <u>\$ 9,006,628</u> | <u>\$ 137,979</u>            |

**Marketable Debt Credit Ratings**

In order to manage credit risk for marketable debt securities, the Corporation monitors daily market values of all securities and routinely reviews its investment holdings' credit ratings. Issues falling below investment grade are required to be sold within six months of the downgrade date. If credit ratings differ between NRSROs, the rating with the highest degree of risk (the lowest rating) is used. At June 30, 2005, the Fund's credit ratings for its marketable debt securities issued by NRSROs are as follows (in thousands):

| Quality rating  | Domestic            | Non-domestic        | Total market<br>value |
|---|---------------------|---------------------|-----------------------|
| AAA   | \$ 594,423          | \$ 865,011          | \$ 1,459,434          |
| AA  | 336,360             | 15,904              | 352,264               |
| A   | 716,268             | 281,601             | 997,869               |
| BBB   | 656,766             | 86,676              | 743,442               |
| BB  | 61,871              | -                   | 61,871                |
| Total market value of rated debt<br>securities              | 2,365,688           | 1,249,192           | 3,614,880             |
| U.S. government explicitly backed by the<br>U.S. government | 2,424,882           | -                   | 2,424,882             |
| U.S. government implicitly backed by the<br>U.S. government | 2,966,866           | -                   | 2,966,866             |
| Total market value debt securities                          | <u>\$ 7,757,436</u> | <u>\$ 1,249,192</u> | <u>\$ 9,006,628</u>   |

**Marketable Debt Duration**

In order to manage its interest rate risk on marketable debt securities, the Corporation monitors daily market values and routinely reviews portfolio effective duration in comparison to an established benchmark. At fiscal year end, the aggregate holdings of debt securities were within the required range in relation to such benchmarks. At June 30, 2005, the effective duration by investment type, based on market value, is as follows:

|                                    | Percent of bond holdings | Duration |
|------------------------------------|--------------------------|----------|
| <b>Domestic bonds</b>              |                          |          |
| Treasury                           | 28.45%                   | 3.71     |
| Government sponsored               | 8.61%                    | 5.00     |
| Mortgage (agency and corporate)    | 37.75%                   | 2.53     |
| Corporate bonds                    | 17.11%                   | 6.31     |
| Canadian/Yankee, Supra/Sovereign   | 8.08%                    | 5.47     |
| <b>Total domestic bonds</b>        | 100.00%                  | 3.96     |
| <b>Non-domestic bonds</b>          |                          |          |
| Government and agency              | 90.70%                   | 5.95     |
| Corporate and other non-government | 9.30%                    | 5.40     |
| <b>Total non-domestic bonds</b>    | 100.00%                  | 5.90     |

**Concentration of Credit Risk**

At June 30, 2005, more than 5 percent of the Fund's total investments were held in securities of the issuer listed below (in thousands):

| Issuer of securities                  | Market value of holdings | Percent of total Fund |
|---------------------------------------|--------------------------|-----------------------|
| Federal National Mortgage Association |                          |                       |
| Mortgage-backed securities            | \$ 1,876,089             | 6.3%                  |
| Senior debt                           | 215,275                  | 0.7%                  |
| Equity                                | 32,271                   | 0.1%                  |
| <b>Total</b>                          | \$ 2,123,635             | 7.1%                  |

**Preferred and Common Stock**

All investments in preferred and common stock, except for one, are held by custodian banks in the name of the Fund. The assets of the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., are held by the custodian bank of the fund manager on behalf of the commingled fund's investors. The market value of the Fund's shares in the EMGF was \$468,106,000 as of June 30, 2005. The value of the Fund's investment in the commingled fund represented approximately 3.4 percent of the total EMGF value at June 30, 2005.

Preferred and common stocks at June 30, 2005 are summarized as follows (in thousands):

|   | Cost          | Market        | Unrealized gains |
|---|---------------|---------------|------------------|
| Domestic                                | \$ 9,743,814  | \$ 11,929,688 | \$ 2,185,874     |
| Non-domestic                            | 4,605,882     | 5,700,671     | 1,094,789        |
| <b>Total preferred and common stock</b> | \$ 14,349,696 | \$ 17,630,359 | \$ 3,280,663     |

**Foreign Currency Exposure**

At June 30, 2005, the Fund's non-domestic equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent, in thousands):

| Foreign currency                | Equity market value | Debt market value | Total foreign<br>currency exposure |
|---------------------------------|---------------------|-------------------|------------------------------------|
| Australian Dollar               | \$ 194,596          | \$ 73,627         | \$ 268,223                         |
| Brazilian Real                  | 23,049              | -                 | 23,049                             |
| British Pound Sterling          | 1,167,883           | 87,480            | 1,255,363                          |
| Canadian Dollar                 | 80,312              | -                 | 80,312                             |
| Czech Koruna                    | 1,357               | -                 | 1,357                              |
| Danish Krone                    | 21,671              | 57,823            | 79,494                             |
| Egyptian Pound                  | 3,944               | -                 | 3,944                              |
| Euro Currency                   | 1,926,629           | 702,210           | 2,628,839                          |
| Hong Kong Dollar                | 84,357              | -                 | 84,357                             |
| Hungarian Forint                | 6,661               | 3,318             | 9,979                              |
| Indian Rupee                    | 6,964               | -                 | 6,964                              |
| Indonesian Rupiah               | 7,519               | -                 | 7,519                              |
| Israeli Shekel                  | 4,139               | -                 | 4,139                              |
| Japanese Yen                    | 1,042,219           | 254,210           | 1,296,429                          |
| Malaysian Ringgit               | 16,929              | -                 | 16,929                             |
| Mexican Nuevo Peso              | 5,420               | 32,134            | 37,554                             |
| New Taiwan Dollar               | 30,310              | -                 | 30,310                             |
| New Zealand Dollar              | 4,521               | 13                | 4,534                              |
| Norwegian Krone                 | 25,745              | 41,376            | 67,121                             |
| Philippines Peso                | 821                 | -                 | 821                                |
| Polish Zloty                    | 4,856               | 19,425            | 24,281                             |
| Renminbi Yuan                   | 900                 | -                 | 900                                |
| Singapore Dollar                | 41,566              | -                 | 41,566                             |
| South African Rand              | 45,816              | -                 | 45,816                             |
| South Korean Won                | 52,852              | 9,302             | 62,154                             |
| Swedish Krona                   | 85,111              | 3,838             | 88,949                             |
| Swiss Franc                     | 357,006             | -                 | 357,006                            |
| Thai Baht                       | 13,311              | -                 | 13,311                             |
| Turkish Lira                    | 8,486               | -                 | 8,486                              |
| Total foreign currency exposure | \$ 5,264,950        | \$ 1,284,756      | \$ 6,549,706                       |

Amounts in the schedule above include receivable, payable, and cash balances in the related currency of each investment type.

**Real Estate**

The Corporation is authorized by statute to invest Fund assets in real estate improved by completed and substantially rented buildings located in the United States. Real estate investments may take the form of private equity real estate interests, real estate title-holding entities, real estate investment trusts, real estate operating companies or other entities whose assets consist primarily of real property, debt obligations secured by real property, or similar entities. The Corporation invests Fund assets in direct real estate through its ownership of interests in corporations, limited liability companies and partnerships that own title to the real estate. External real estate management firms administer the Fund's private equity real estate investments.

The Corporation routinely analyzes private equity real estate holdings for permanent impairment, in accordance with Corporate resolution 04-07 and Governmental Accounting Standards Board Statement No. 42 (Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries). During the fiscal year ending June 30, 2005, no real estate assets were at a market value deemed necessary for permanent impairment analysis.

The carrying value of real estate at June 30, 2005 was \$2,694,595,000. Private equity real estate investments, commingled funds, property notes receivable, and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Public equity real estate investments (real estate investment trusts) are recorded in the financial statements at their market value.

In the ordinary course of business, the Corporation has made Fund commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a materially adverse effect on the Fund's financial position, results of operations, or liquidity. Real estate investments at June 30, 2005 are summarized as follows (in thousands):

|                               | Cost/equity<br>value | Market<br>value     | Unrealized<br>gains/(losses) | Financial<br>statement<br>carrying value |
|-------------------------------|----------------------|---------------------|------------------------------|--|
| Real estate investment trusts | \$ 772,613           | \$ 1,210,469        | \$ 437,856                   | \$ 1,210,469                             |
| Alaska residential mortgages  | 72                   | 72                  | -                            | 72                                       |
| Property note receivable      | 3,340                | 3,340               | -                            | 3,340                                    |
| Private equity real estate -  |                      |                     |                              |  |
| Retail                        | 399,239              | 603,388             | 204,149                      | 399,239                                  |
| Office                        | 559,760              | 628,174             | 68,414                       | 559,760                                  |
| Industrial                    | 208,038              | 222,852             | 14,814                       | 208,038                                  |
| Multifamily                   | 313,677              | 351,073             | 37,396                       | 313,677                                  |
| Total real estate             | <u>\$ 2,256,739</u>  | <u>\$ 3,019,368</u> | <u>\$ 762,629</u>            | <u>\$ 2,694,595</u>                      |

Subsequent to FY 05, additional real estate was purchased for the Fund. A portion of an existing office building investment joint venture in New Jersey was purchased for an additional \$7,437,000, which made the Fund the sole owner of the property. An office building in San Francisco, California was also purchased for \$134,120,000. The Fund owns 98 percent of the office building. Amounts in the schedule above include \$9,872,000 in earnest money deposited on the San Francisco building prior to fiscal year end, as well as \$494,000 deposited on a retail building in Hawaii.

**Alternative Investments**

The Trustees increased the diversification of the Fund's investments by authorization of investments in two new asset classes. The first, private equity, is comprised of various investments such as in unlisted, illiquid common and preferred stock, or subordinated and senior debt of privately held companies. The second, absolute return strategies, are investments in non-market correlated strategies through specialized investment funds. Resolutions were drafted, managers were selected and contracts signed in FY 04, and the first investments in these assets took place in early FY 05.

The Trustees authorized a three-year pilot program for an absolute return strategy by allocating up to 1 percent of Fund assets. The Board chose a separately managed portfolio comprised of a single-investor limited partnership ("fund of one") that invests in a diversified portfolio comprised of limited partnership interests, with the general partner providing essential investment management services. Fair value for limited partnership interests are valued by the general partner and reviewed by the investment manager. Some of the absolute return investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and/or additional expenses.

The Trustees authorized investments in private equity up to 2 percent of the total Fund value. Private equity investments involve the purchase of limited partnership interests which typically invest in unlisted, illiquid common and preferred stock and to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The Corporation has hired an external manager to select limited partnership interests which are diversified by geography and strategy. This investment type is characteristically funded slowly over time as opportunities are identified by the general partners and external manager. Investments in this category are valued utilizing the most current information provided by the general partner.

Alternative investments at June 30, 2005 are summarized as follows (in thousands):

|                               | Cost              | Market            | Unrealized gains/(losses) |
|-------------------------------|-------------------|-------------------|---------------------------|
| Absolute return strategy      | \$ 244,133        | \$ 259,531        | \$ 15,398                 |
| Private equity                | 7,756             | 6,469             | (1,287)                   |
| Total alternative investments | <u>\$ 251,889</u> | <u>\$ 266,000</u> | <u>\$ 14,111</u>          |

As of June 30, 2005, the Corporation had various private equity investment commitments of approximately \$300 million.

### Alaska Certificates of Deposit

The Corporation is authorized by statute and Trustee resolution 04-03, to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks and credit unions doing business in Alaska. Collateral, as required by law, primarily in the form of letters of credit from the Federal Home Loan Bank or U.S. government securities, secures these investments.

### Securities Lending

Under Alaska Statute 37.13.120(f), the Corporation is authorized to enter into securities lending transactions on behalf of the Fund. The Corporation, through an agreement with the Bank of New York (the Bank), lends marketable debt and equity securities. These loans are fully collateralized with cash or U.S. government guaranteed marketable securities at not less than 102 percent of the market value of the loaned securities for domestic securities and 105 percent of the market value for non-domestic loaned securities. The Corporation is able to sell any securities out on loan. Upon borrower default, the Bank may hold cash collateral or sell non-cash collateral. The Corporation is protected from credit risk associated with the lending transactions through indemnification by the Bank against any loss resulting from counterparty failure, loss resulting from the reinvestment of collateral, default on collateral investments, or default on loaned securities.

Cash collateral received for securities on loan, which is required to be reported on the balance sheet of the Fund, is invested by the Bank in the name of the Fund. As of June 30, 2005, such investments were in overnight repurchase agreements secured at 102 percent by U.S. government guaranteed securities, and had a weighted-average maturity of one day. The average term of the loans was also one day. At June 30, 2005, the value of securities on loan and related collateral is as follows (in thousands):

|                                    |                     |
|------------------------------------|---------------------|
| Market value of securities on loan | \$ 4,508,284        |
| Collateral                         |                     |
| Cash collateral                    | 4,569,049           |
| Non-cash collateral                | 44,477              |
| Total collateral                   | <u>\$ 4,613,526</u> |

The Fund receives 80 percent of earnings derived from securities lending transactions. During the years ended June 30, 2005, there were no losses incurred as a result of securities lending transactions. The Fund received \$10,413,000 from securities lending for the year ended June 30, 2005.



**Investment Income by Source**

Investment income during the years ended June 30, 2005 is summarized as follows (in thousands):

|  |    |                |
|--|----|----------------|
| Interest                                     |    |                |
| Domestic marketable debt securities          | \$ | 304,332        |
| Non-domestic marketable debt securities      |    | 49,935         |
| Alaska certificates of deposit               |    | 3,692          |
| Short-term domestic and other                |    | 31,866         |
|  |    | <u>31,866</u>  |
| Total interest                               | \$ | <u>389,825</u> |
| Dividends                                    |    |                |
| Domestic preferred and common stock          | \$ | 190,443        |
| Non-domestic preferred and common stock      |    | 142,929        |
|  |    | <u>142,929</u> |
| Total dividends                              | \$ | <u>333,372</u> |
| Real estate and other income                 |    |                |
| Private equity real estate interest          | \$ | 268            |
| Real estate investment trust dividends       |    | 51,696         |
| Private equity real estate net rental income |    | 81,712         |
| Absolute return cash flow                    |    | (2,753)        |
| Loaned securities and other income           |    | 15,515         |
|  |    | <u>15,515</u>  |
| Total real estate and other income           | \$ | <u>146,438</u> |

**Foreign Exchange Contracts and Off-Balance Sheet Risk**

Asset managers for the Corporation entered into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates on specified future dates for the purpose of protecting existing or anticipated positions in these currencies. The maturity periods for outstanding contracts at fiscal year end ranged from one to five months.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties; however, the Corporation considers the risk of default to be remote. The Fund's market risk as of June 30, 2005 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

On behalf of the Fund, asset managers of the Corporation had net sale contracts receivable totaling \$3,969,000 as of June 30, 2005. FX forward contracts resulted in net unrealized gains of \$13,352,000 for the year ended June 30, 2005, including prior year reversals. FX forward contracts resulted in realized losses of \$1,402,000 for the year ended June 30, 2005.

**NOTE 5 – CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

Capital assets, which include property, plant, equipment, and infrastructure items (highways, bridges, and similar items) are reported in the applicable governmental and business-type activity columns of the government-wide financial statements.

Capitalization policy and useful lives for capital assets are as follows:

| Capital Asset      | Governmental Activities |             | Business-type Activities |             |
|--------------------|-------------------------|-------------|--------------------------|-------------|
|                    | Value                   | Useful Life | Value                    | Useful Life |
| Land               | All                     | Indefinite  | All                      | Indefinite  |
| Infrastructure     | \$ 1,000,000            | 15-75       | \$ 100,000               | 5-40        |
| Buildings          | \$ 1,000,000            | 50          | \$ 100,000               | 10-40       |
| Equipment/software | \$ 100,000              | 3-60        | \$ 5,000                 | 5-10        |

State of Alaska art, library reserve, and museum collections that are considered inexhaustible, in that their value does not diminish over time, are not capitalized. These assets are held for public exhibition, education, or research rather than financial gain; and are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale of collection items are used to acquire other items for collections.

Capital asset activities for the fiscal year ended June 30, 2005, are as follows (in millions).

| Governmental Activities                     | Beginning Balance (restated) | Additions | Deletions | Ending Balance |
|---|------------------------------|-----------|-----------|----------------|
| Capital assets not being depreciated:       |                              |           |           |                |
| Land  | \$ 671                       | \$ 9      | \$ -      | \$ 680         |
| Construction in progress                    | 1,251                        | 520       | (349)     | 1,422          |
| Total capital assets not being depreciated  | 1,922                        | 529       | (349)     | 2,102          |
| Capital assets being depreciated:           |                              |           |           |                |
| Buildings                                   | 1,062                        | 34        | (29)      | 1,067          |
| Equipment                                   | 645                          | 70        | (14)      | 701            |
| Infrastructure                              | 4,002                        | 65        | -         | 4,067          |
| Total capital assets being depreciated      | 5,709                        | 169       | (43)      | 5,835          |
| Less accumulated depreciation for:          |                              |           |           |                |
| Buildings                                   | (383)                        | (22)      | 13        | (392)          |
| Equipment                                   | (303)                        | (31)      | 9         | (325)          |
| Infrastructure                              | (1,985)                      | (194)     | -         | (2,179)        |
| Total accumulated depreciation              | (2,671)                      | (247)     | 22        | (2,896)        |
| Total capital assets being depreciated, net | 3,038                        | (78)      | (21)      | 2,939          |
| Capital assets, net                         | \$ 4,960                     | \$ 451    | \$ (370)  | \$ 5,041       |

For the General Fund and internal service funds, see Note 3 for additional information on restated beginning balances resulting from the addition of the historical infrastructure and prior period adjustments.

| Business-type Activities                    | Beginning<br>Balance | Additions     | Deletions       | Ending<br>Balance |
|---|----------------------|---------------|-----------------|-------------------|
| Capital assets not being depreciated:       |                      |               |                 |                   |
| Land  | \$ 30                | \$ -          | \$ -            | \$ 30             |
| Construction in progress                    | 251                  | 7             | (187)           | 71                |
| Total capital assets not being depreciated  | <u>281</u>           | <u>7</u>      | <u>(187)</u>    | <u>101</u>        |
| Capital assets being depreciated:           |                      |               |                 |                   |
| Buildings                                   | 305                  | 259           | -               | 564               |
| Equipment                                   | 47                   | 2             | (1)             | 48                |
| Infrastructure                              | 422                  | 21            | -               | 443               |
| Total capital assets being depreciated      | <u>774</u>           | <u>282</u>    | <u>(1)</u>      | <u>1,055</u>      |
| Less accumulated depreciation for:          |                      |               |                 |                   |
| Buildings                                   | (117)                | (13)          | -               | (130)             |
| Equipment                                   | (32)                 | (3)           | 1               | (34)              |
| Infrastructure                              | (203)                | (14)          | -               | (217)             |
| Total accumulated depreciation              | <u>(352)</u>         | <u>(30)</u>   | <u>1</u>        | <u>(381)</u>      |
| Total capital assets being depreciated, net | <u>422</u>           | <u>252</u>    | <u>-</u>        | <u>674</u>        |
| Capital assets, net                         | <u>\$ 703</u>        | <u>\$ 259</u> | <u>\$ (187)</u> | <u>\$ 775</u>     |

The following relates to the land owned by the state:

The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 90.9 million acres have been patented or “tentatively approved.”

The state disposes of various land parcels through several programs. However, the state generally retains the subsurface rights of the land upon disposal.

Depreciation expense was charged to the functions of the primary government as follows (in millions):

|   |               |
|---|---------------|
| Governmental Activities   | <u>Amount</u> |
| General Government  | \$ 2          |
| Education   | 8             |
| Health and Human Services   | 6             |
| Law and Justice   | 2             |
| Natural Resources   | 1             |
| Public Protection   | 6             |
| Transportation  | 207           |
| Depreciation on capital assets held by the state’s internal service funds is charged to the various functions based on their use of the assets. | <u>15</u>     |
| Total Depreciation Expense – Governmental Activities  | <u>\$ 247</u> |
| Business-type Activities  |               |
| Enterprise  | <u>\$ 30</u>  |

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2005 (in millions):

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:       |                              |                  |                  |                           |
| Land  | \$ 62                        | \$ 1             | \$ -             | \$ 63                     |
| Library, media, and museum collections      | 50                           | 2                | -                | 52                        |
| Construction in progress                    | 241                          | 151              | (139)            | 253                       |
| Infrastructure                              | -                            | -                | -                | -                         |
| Total capital assets not being depreciated  | <u>353</u>                   | <u>154</u>       | <u>(139)</u>     | <u>368</u>                |
| Capital assets being depreciated:           |                              |                  |                  |                           |
| Buildings                                   | 1,048                        | 32               | (1)              | 1,079                     |
| Equipment                                   | 349                          | 74               | (11)             | 412                       |
| Infrastructure                              | 702                          | 40               | -                | 742                       |
| Total capital assets being depreciated      | <u>2,099</u>                 | <u>146</u>       | <u>(12)</u>      | <u>2,233</u>              |
| Less accumulated depreciation for:          |                              |                  |                  |                           |
| Buildings                                   | (431)                        | (44)             | 1                | (474)                     |
| Equipment                                   | (189)                        | (32)             | 8                | (213)                     |
| Infrastructure                              | (242)                        | (24)             | -                | (266)                     |
| Total accumulated depreciation              | <u>(862)</u>                 | <u>(100)</u>     | <u>9</u>         | <u>(953)</u>              |
| Total capital assets being depreciated, net | <u>1,237</u>                 | <u>46</u>        | <u>(3)</u>       | <u>1,280</u>              |
| Capital assets, net                         | <u>\$ 1,590</u>              | <u>\$ 200</u>    | <u>\$ (142)</u>  | <u>\$ 1,648</u>           |

University of Alaska art, library, and museum collections, which are capitalized but not depreciated, are reported in the statement of net assets as equipment. These assets are held for public exhibition, education, or research rather than financial gain; and are protected, kept unencumbered, cared for, and preserved. Proceeds from the sale of collection items are used to acquire other items for collections.

**NOTE 6 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS**

**A. SUMMARY OF CHANGES**

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2005 (in thousands):

| <b>Governmental Activities</b> | Beginning<br>Balance<br>(restated) | Increases         | Decreases         | Ending<br>Balance   | Amounts Due<br>Within One<br>Year |
|--------------------------------|------------------------------------|-------------------|-------------------|---------------------|-----------------------------------|
| Revenue bonds payable          | \$ 218,316                         | \$ -              | \$ 5,522          | \$ 212,794          | \$ -                              |
| General obligation debt        | 492,586                            | -                 | 29,469            | 463,117             | 29,201                            |
| Notes payable                  | 3,387                              | -                 | 3,387             | -                   | -                                 |
| Capital leases payable         | 152,503                            | 10,751            | 15,261            | 147,993             | 15,010                            |
| Unearned & deferred revenue    | 193,979                            | 18,061            | 51,746            | 160,294             | 134,725                           |
| Certificates of participation  | 72,330                             | 25,725            | 36,430            | 61,625              | 10,855                            |
| Compensated absences           | 117,052                            | 104,853           | 101,443           | 120,462             | 120,462                           |
| Claims and judgments           | 73,624                             | 22,958            | 24,956            | 71,626              | 29,415                            |
| Other noncurrent liabilities   | 844                                | 409               | -                 | 1,253               | 933                               |
| Net pension obligation         | -                                  | 56,346            | -                 | 56,346              | -                                 |
| Total                          | <u>\$ 1,324,621</u>                | <u>\$ 239,103</u> | <u>\$ 268,214</u> | <u>\$ 1,295,510</u> | <u>\$ 340,601</u>                 |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities.

The General Fund, special revenue and internal service funds in which the leases are recorded typically liquidate the capital lease obligations. The compensated absence obligations are typically liquidated by the funds incurring the related salaries and wages. Claims and judgments attributable to governmental activities will generally be liquidated by the General Fund. Certain claims and judgment liquidations will receive proportional federal reimbursement. Other non-current liabilities due within one year will be liquidated by the General Fund and those due after one year will be liquidated by the Reclamation Bonding Pool, a special revenue fund.

For governmental fund activity, there was a reclassification of activity between capital leases and certificates of participation for \$42,185 thousand. In addition there was a prior period adjustment for \$196 thousand related to capital leases, which is discussed further in note 3.

| <b>Business-type Activities</b> | Beginning<br>Balance | Increases    | Decreases        | Ending<br>Balance | Amounts Due<br>Within One<br>Year |
|---------------------------------|----------------------|--------------|------------------|-------------------|-----------------------------------|
| Revenue bonds payable           | \$ 422,141           | \$ -         | \$ 10,084        | \$ 412,057        | \$ 12,529                         |
| Unearned & deferred revenue     | 4,412                | 11           | -                | 4,423             | 4,423                             |
| Compensated absences            | 39                   | 15           | -                | 54                | 54                                |
| Other noncurrent liabilities    | 334                  | -            | 109              | 225               | -                                 |
| Net pension obligation          | -                    | 18           | -                | 18                | -                                 |
| Total                           | <u>\$ 426,926</u>    | <u>\$ 44</u> | <u>\$ 10,193</u> | <u>\$ 416,777</u> | <u>\$ 17,006</u>                  |

**B. GENERAL OBLIGATION BONDS, NORTHERN TOBACCO SECURITIZATION REVENUE BONDS, AND INTERNATIONAL AIRPORTS REVENUE BONDS**

GENERAL OBLIGATION BONDS

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2005, the following were the general obligation bond debt outstanding (in millions):

| <u>Year Ending June 30</u>      | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|---------------------------------|------------------|-----------------|-----------------|
| 2006                            | \$ 24.1          | \$ 21.5         | \$ 45.6         |
| 2007                            | 24.8             | 20.3            | 45.1            |
| 2008                            | 25.4             | 19.0            | 44.4            |
| 2009                            | 26.2             | 17.7            | 43.9            |
| 2010                            | 27.1             | 16.3            | 43.4            |
| 2011-2015                       | 139.9            | 58.7            | 198.6           |
| 2016-2020                       | 106.1            | 27.4            | 133.5           |
| 2021-2025                       | 64.8             | 6.1             | 70.9            |
| Total debt service requirements | 438.4            | <u>\$ 187.0</u> | <u>\$ 625.4</u> |
| Unamortized bond premium        | 24.7             |                 |                 |
| Total principal outstanding     | <u>\$ 463.1</u>  |                 |                 |

The legislature authorized the issuance of general obligation bonds within chapter 114, SLA 2002 and chapter 2, SSSLA 2002 for a total of \$463,524,941. As of the end of FY 05, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase Tobacco Settlement Revenues (TSRs) from the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the Bond Indenture. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. This debt is reported in the Governmental Activities column of the Government-wide Statement of Net Assets. Debt service requirements for NTSC are (in millions):

| <u>Year Ending June 30</u>      | <u>Principal</u> | <u>Interest</u> | <u>Total</u>    |
|---------------------------------|------------------|-----------------|-----------------|
| 2006                            | \$ -             | \$ 12.2         | \$ 12.2         |
| 2007                            | -                | 12.3            | 12.3            |
| 2008                            | 6.2              | 12.3            | \$ 18.5         |
| 2009                            | 6.5              | 11.9            | 18.4            |
| 2010                            | 6.9              | 11.6            | 18.5            |
| 2011-2015                       | 36.9             | 52.0            | 88.9            |
| 2016-2020                       | 45.7             | 40.8            | 86.5            |
| 2021-2025                       | 48.6             | 28.2            | 76.8            |
| 2026-2030                       | 57.6             | 11.8            | 69.4            |
| 2031-2035                       | 6.3              | 0.4             | 6.7             |
| Total debt service requirements | 214.7            | <u>\$ 193.5</u> | <u>\$ 408.2</u> |
| Unamortized bond discounts      | (1.9)            |                 |                 |
| Total principal outstanding     | <u>\$ 212.8</u>  |                 |                 |

**INTERNATIONAL AIRPORTS REVENUE BONDS**

Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports revenue bonds. All bonds authorized by the Alaska legislature have been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets. Debt service requirements are (in millions):

| Year Ending June 30                           | Principal | Interest | Total   |
|---|-----------|----------|---------|
| 2006  | \$ 12.5   | \$ 21.0  | \$ 33.5 |
| 2007  | 12.8      | 20.1     | 32.9    |
| 2008  | 13.7      | 19.6     | 33.3    |
| 2009  | 13.9      | 19.1     | 33.0    |
| 2010  | 14.5      | 18.5     | 33.0    |
| 2011-2015                                     | 83.6      | 80.7     | 164.3   |
| 2016-2020                                     | 96.7      | 57.1     | 153.8   |
| 2021-2025                                     | 122.2     | 28.5     | 150.7   |
| 2026-2030                                     | 46.8      | 4.1      | 50.9    |
| Total debt service requirements               | 416.7     | 268.7    | 685.4   |
| Unamortized bond issuance costs and discounts | (4.6)     |          |         |
| Total principal outstanding                   | \$ 412.1  |          |         |

**C. CAPITAL AND OPERATING LEASES**

A summary of noncancelable operating and capital lease commitments to maturity are (in millions):

| Governmental Activities<br>Year Ending June 30 | Operating<br>Leases | Capital Leases |          |          |
|--|---------------------|----------------|----------|----------|
|  |                     | Principal      | Interest | Total    |
| 2006   | \$ 29.6             | \$ 15.1        | \$ 6.1   | \$ 21.2  |
| 2007   | 25.4                | 13.2           | 6.3      | 19.5     |
| 2008   | 22.8                | 13.2           | 5.7      | 18.9     |
| 2009   | 19.5                | 13.2           | 5.0      | 18.2     |
| 2010   | 14.2                | 12.7           | 4.4      | 17.1     |
| 2011-2015                                      | 30.0                | 41.8           | 15.3     | 57.1     |
| 2016-2020                                      | 1.6                 | 34.8           | 5.7      | 40.5     |
| 2021-2025                                      | 0.6                 | 4.0            | 0.3      | 4.3      |
| 2026-2030                                      | 0.4                 | -              | -        | -        |
| 2031-2035                                      | 0.4                 | -              | -        | -        |
| 2036-2040                                      | 0.3                 | -              | -        | -        |
| 2041-2045                                      | 0.3                 | -              | -        | -        |
| 2046-2050                                      | 0.2                 | -              | -        | -        |
| Total  | \$ 145.3            | \$ 148.0       | \$ 48.8  | \$ 196.8 |

**D. CERTIFICATES OF PARTICIPATION**

The state has lease purchase agreements funded through certificates of participation (COPs). These leases are for the purchase of buildings. Third-party leasing companies assigned their interest in the lease to underwriters, which issued certificates for the funding of these obligations. The COPs represent an ownership interest of the certificate holder in a lease purchase agreement. While the state is liable for lease payments to the underwriters, the state is not liable for payments to holders of the certificates.

The following schedule presents future minimum payments as of June 30, 2005 (expressed in millions):

| <u>Governmental Activities</u><br>Year Ending June 30 | <u>Certificates of Participation</u> |                 |                |
|---|--------------------------------------|-----------------|----------------|
|   | <u>Principal</u>                     | <u>Interest</u> | <u>Total</u>   |
| 2006  | \$ 10.9                              | \$ 2.7          | \$ 13.6        |
| 2007  | 8.3                                  | 2.2             | 10.5           |
| 2008  | 7.0                                  | 1.8             | 8.8            |
| 2009  | 4.3                                  | 1.5             | 5.8            |
| 2010  | 4.4                                  | 1.3             | 5.7            |
| 2011-2015   | 19.1                                 | 3.9             | 23.0           |
| 2016-2020   | 7.6                                  | 0.7             | 8.3            |
| Total   | <u>\$ 61.6</u>                       | <u>\$ 14.1</u>  | <u>\$ 75.7</u> |

On February 2, 2005 the State issued \$25.7 million in certificates of participation to refund \$26.1 million of outstanding certificates of participation. The net proceeds of \$26.7 million (which included a premium of \$1.3 million, less \$.3 million in issuance costs), were used to pay the redemption price of the refunded certificates on March 4, 2005, June 15, 2005, and July 1, 2005. The refunding met the requirements of an in-substance debt defeasance and the certificates of participation were removed from the State's government-wide financial reports. As a result of the refunding, the State reduced its total debt service requirements by \$1.2 million, with a net present value savings of \$.9 million.

#### E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

| <u>Year Ending June 30</u>  | <u>Principal</u>  | <u>Interest</u>   | <u>Total</u>      |
|---|-------------------|-------------------|-------------------|
| 2006  | \$ 200.6          | \$ 207.7          | \$ 408.3          |
| 2007  | 151.2             | 200.2             | 351.4             |
| 2008  | 136.5             | 194.0             | 330.5             |
| 2009  | 134.9             | 188.2             | 323.1             |
| 2010  | 132.9             | 182.4             | 315.3             |
| 2011-2015   | 789.8             | 804.0             | 1,593.8           |
| 2016-2020   | 671.0             | 656.8             | 1,327.8           |
| 2021-2025   | 616.1             | 477.2             | 1,093.3           |
| 2026-2030   | 573.2             | 358.0             | 931.2             |
| 2031-2035   | 434.2             | 223.7             | 657.9             |
| 2036-2040   | 429.3             | 100.4             | 529.7             |
| 2041-2045   | 167.2             | 32.3              | 199.5             |
| 2046-2050   | 47.2              | 6.4               | 53.6              |
| 2051-2055   | -                 | -                 | -                 |
| 2056-2060   | -                 | -                 | -                 |
| Total debt service requirements   | <u>\$ 4,484.1</u> | <u>\$ 3,631.3</u> | <u>\$ 8,115.4</u> |
| Unamortized discounts, unexpended bond proceeds,<br>accreted interest, & deferred amount on refunding | <u>26.5</u>       |                   |                   |
| Total principal outstanding   | <u>\$ 4,510.6</u> |                   |                   |

The preceding table does not include \$373,000 of Alaska Energy Authority arbitrage interest payable.

#### F. AHFC DERIVATIVES

##### SWAP OBJECTIVES

In order to both reduce the Corporation's overall cost of borrowing long-term capital and protect against the potential of rising interest rates, AHFC entered into six separate pay-fixed, receive-variable interest rate swap agreements at a cost less than what the Corporation would have paid to issue conventional fixed-rate debt.



SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2005, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

| Year Ending June 30 | Outstanding       | Outstanding       | Swap              | Total             |
|---------------------|-------------------|-------------------|-------------------|-------------------|
|                     | Variable-Rate     | Variable-Rate     |                   |                   |
|                     | Debt              | Debt              | Net Payment       | Payment           |
|                     | Principal         | Interest          |                   |                   |
| 2006                | \$ 3,640          | \$ 8,048          | \$ 7,741          | \$ 19,429         |
| 2007                | 3,795             | 8,003             | 7,671             | 19,469            |
| 2008                | 4,640             | 7,934             | 7,595             | 20,169            |
| 2009                | 5,135             | 7,823             | 7,505             | 20,463            |
| 2010                | 5,465             | 7,729             | 7,406             | 20,600            |
| 2011-2015           | 52,775            | 36,345            | 34,816            | 123,936           |
| 2016-2020           | 79,320            | 29,603            | 28,268            | 137,191           |
| 2021-2025           | 96,950            | 20,562            | 19,851            | 137,363           |
| 2026-2030           | 81,955            | 11,598            | 11,484            | 105,037           |
| 2031-2035           | 52,240            | 4,450             | 4,496             | 61,186            |
| 2036-2037           | 16,275            | 335               | 339               | 16,949            |
| Total               | <u>\$ 402,190</u> | <u>\$ 142,430</u> | <u>\$ 137,172</u> | <u>\$ 681,792</u> |

SIGNIFICANT TERMS

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of June 30, 2005, are included in the following schedule (in thousands). The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

| Related             | Notional          | Fair              | Effective | Fixed Rate | Variable                  | Termination | Counterparty        |
|---------------------|-------------------|-------------------|-----------|------------|---------------------------|-------------|---------------------|
| Bond                | Amounts           | Values            | Dates     | Paid       | Rate                      | Date        | Credit              |
| Issue               |                   |                   |           |            | Received                  |             | Rating <sup>6</sup> |
| GP01A <sup>1</sup>  | \$ 70,830         | \$ (8,583)        | 8/2/2001  | 4.1427%    | 67% of LIBOR <sup>4</sup> | 12/1/2030   | A/A2                |
| GP01B               | 86,555            | (10,564)          | 8/2/2001  | 4.1427%    | 67% of LIBOR              | 12/1/2030   | A+/Aa3              |
| E021A1 <sup>2</sup> | 50,000            | (6,158)           | 5/16/2002 | 4.1030%    | 68% of LIBOR              | 6/1/2032    | AAA/Aaa             |
| E021A2              | 120,000           | (12,506)          | 5/16/2002 | 4.3430%    | 68% of LIBOR              | 12/1/2036   | AAA/Aaa             |
| SC02B <sup>3</sup>  | 14,555            | (1,016)           | 12/5/2002 | 3.7700%    | 70% of LIBOR              | 7/1/2024    | AAA/Aaa             |
| SC02C               | 60,250            | (3,699)           | 12/5/2002 | 4.3030%    | BMA <sup>5</sup> +0.115%  | 7/1/2022    | AAA/Aaa             |
| Total               | <u>\$ 402,190</u> | <u>\$(42,526)</u> |           |            |                           |             |                     |

<sup>1</sup> Governmental Purpose Bonds

<sup>2</sup> Home Mortgage Revenue Bonds

<sup>3</sup> State Capital Project Bonds

<sup>4</sup> London Interbank Offered Rate

<sup>5</sup> The Bond Market Association Municipal Swap Index

<sup>6</sup> Standard & Poor's/Moody's

FAIR VALUE

Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of the Corporation's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of June 30, 2005. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds.

Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by the Corporation, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

## RISKS

### **Credit Risk**

As of June 30, 2005, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 61 percent of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21 percent and 18 percent, respectively, of the total outstanding notional swap value.

### **Basis Risk**

A majority of the Corporation's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, the Corporation is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2005, the BMA rate was 2.28 percent, whereas LIBOR was 3.34 percent. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

### **Rollover Risk**

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the bonds mature the swaps will amortize. In addition, the swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.

### **Termination Risk**

If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, the Corporation would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of June 30, 2005, the Corporation is not exposed to any additional termination risk on its interest rate swaps.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**A. STATE ADMINISTERED PLANS**

DESCRIPTION OF PLANS

**The Public Employees’ Retirement System (PERS)**

PERS is a defined benefit, agent, multiple-employer public employee retirement system established and administered by the state to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by the state legislature. PERS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. PERS is considered a component unit of the state financial reporting entity. PERS issues a separate stand-alone financial report that includes financial statements and required supplementary information. PERS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

At June 30, 2005, the number of participating employers was:

|                  |            |
|------------------|------------|
| State of Alaska  | 3          |
| Municipalities   | 77         |
| School Districts | 53         |
| Other            | <u>27</u>  |
| Total employers  | <u>160</u> |

Current employee contribution rates are 6.75 percent of compensation (7.5 percent for peace officers and firefighters and 9.6 percent for some school district employees). The employee contributions are deducted before federal income tax is withheld.

The PERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment health care benefits when due. The actuarially determined employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The FY 05 actuarially determined rate was 25.46 percent (27.33 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2005, was 12.65 percent of compensation (13.42 percent for peace officers and firefighters). This difference is attributable to a maximum allowable increase or decrease in the contribution rate for an employer from one year to the next of no more than 5 percent (Title 2 Alaska Administrative Code 35.900).

The Schedule of Funding Progress for the State of Alaska for pension benefits follows (in thousands):

| Actuarial<br>Valuation<br>Year Ended<br>June 30 | Actuarial<br>Value of<br>Plan Assets | Actuarial<br>Accrued<br>Liabilities<br>(AAL) | Funding Excess<br>(FE)/(Unfunded<br>Actuarial Accrued<br>Liabilities) (UAAL) | Funded<br>Ratio | Covered<br>Payroll | FE/(UAAL)<br>as a<br>Percentage<br>of Covered<br>Payroll |
|---|--------------------------------------|--|--|-----------------|--------------------|--|
| 2001  | \$3,486,365                          | \$3,462,943                                  | \$ 23,422  | 100.7%          | \$781,286          | 3.0%   |
| 2002  | 2,864,058                            | 3,854,165                                    | (990,107)  | 74.3%           | 818,543            | (121.0%)   |
| 2003  | 2,834,640                            | 3,971,044                                    | (1,136,404)  | 71.4%           | 860,513            | (132.1%)   |

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age sixty or older, regardless of initial hire dates. Employees first hired after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age sixty, and receive benefits at no premium cost if they are over age sixty or are receiving disability benefits. Police and fire employees with 25 years of membership service also receive benefits at no premium cost.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the state, was established. The

RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The Schedule of Funding Progress for the State of Alaska for postemployment healthcare benefits follows (in thousands):

| Actuarial Valuation Year Ended June 30 | Actuarial Value of Plan Assets | Actuarial Accrued Liabilities (AAL) | Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL) | Funded Ratio | Covered Payroll | FE/(UAAL) as a Percentage of Covered Payroll |
|--|--------------------------------|-------------------------------------|---|--------------|-----------------|--|
| 2001                                   | \$1,476,115                    | \$1,466,201                         | \$ 9,914  | 100.7%       | \$781,286       | 1.3%   |
| 2002                                   | 1,740,149                      | 2,341,721                           | (601,572)   | 74.3%        | 818,543         | (73.5%)                                      |
| 2003                                   | 1,894,575                      | 2,654,108                           | (759,533)   | 71.4%        | 860,513         | (88.3%)                                      |

The state's annual contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2005, 2004, and 2003 were \$109.3, \$65.1, and \$58.8 million respectively. The annual pension cost was \$112.1 million for FY05, \$45.7 million for FY 04 and \$41.9 million for FY 03. For FY 04 and FY 03, the state contributed 100 percent for each of those years resulting in a zero net pension obligation (NPO). For FY 05, the state contributed 50 percent of the actuarial determined rate, which resulted in a NPO of \$56.5 million, of which \$55.2 million is for governmental funds. This is the first time the state has incurred an NPO. The NPO disclosed above does not include the discretely presented component units that are separately audited.

**The Teachers' Retirement System (TRS)**

TRS is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the state to provide pension and postemployment healthcare benefits for teachers and other eligible participants.

At June 30, 2005 the number of participating employers was:

|                  |           |
|------------------|-----------|
| State of Alaska  | 2         |
| School Districts | 53        |
| Other            | 3         |
| Total employers  | <u>58</u> |

TRS is considered a component unit of the state financial reporting entity. TRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. TRS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional 1 percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2005, was 16 percent of compensation.

Postemployment healthcare benefits are provided without cost to all employees first hired before July 1, 1990, employees hired after July 1, 1990 with 25 years of membership service, and employees who are disabled or age sixty or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age sixty by paying premiums.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the state, was established. The RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The state's contributions to TRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$7.5, \$5.5, and \$4.9 million respectively, equal to the required contributions for each year.

**The Judicial Retirement System (JRS)**

JRS is a defined benefit, single-employer retirement system established and administered by the state to provide pension and postemployment healthcare benefits for eligible state judges and justices.

JRS is considered a component unit of the state financial reporting entity. JRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. JRS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 22 and may be amended only by the state legislature. JRS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

Members contribute 7 percent of their compensation to JRS. The contributions are deducted after federal income tax is withheld. Contributions are not required after members have made contributions for fifteen years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2005, was 33.53 percent of compensation.

The Schedule of Funding Progress for pension benefits follows (in thousands):

| Actuarial<br>Valuation<br>Year Ended<br>June 30 | Actuarial<br>Value of<br>Plan Assets | Actuarial<br>Accrued<br>Liabilities<br>(AAL) | Funding Excess<br>(FE)/(Unfunded<br>Actuarial Accrued<br>Liabilities) (UAAL) | Funded<br>Ratio | Covered<br>Payroll | FE/(UAAL)<br>as a<br>Percentage<br>of Covered<br>Payroll |
|---|--------------------------------------|--|--|-----------------|--------------------|--|
| 2000  | \$68,116                             | \$68,888                                     | \$ (772)   | 98.9%           | \$5,702            | (13.5%)  |
| 2002  | 56,705                               | 63,970                                       | (7,265)  | 88.6%           | 5,942              | (122.3%)   |
| 2004  | 61,074                               | 69,393                                       | (8,319)  | 88.0%           | 6,530              | (127.4%)   |

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the state, was established. The RHF is self-funded and provides major medical coverage to retirees. Retirees of three other state plans also participate in the RHF. The retirement plans retain the risk of loss of allowable claims.

Postemployment healthcare benefits are provided without cost to retired JRS members. The Schedule of Funding Progress for postemployment healthcare benefits follows (in thousands):

| Actuarial<br>Valuation<br>Year Ended<br>June 30 | Actuarial<br>Value of<br>Plan Assets | Actuarial<br>Accrued<br>Liabilities<br>(AAL) | Funding Excess<br>(FE)/(Unfunded<br>Actuarial Accrued<br>Liabilities) (UAAL) | Funded<br>Ratio | Covered<br>Payroll | FE/(UAAL)<br>as a<br>Percentage of<br>Covered<br>Payroll |
|---|--------------------------------------|--|--|-----------------|--------------------|--|
| 2000  | \$4,545                              | \$4,596                                      | \$(51)   | 98.9%           | \$5,702            | (0.9%)   |
| 2002  | 6,979                                | 7,873  | (894)  | 88.6%           | 5,942              | (15.0%)  |
| 2004  | 9,382                                | 10,660                                       | (1,278)  | 88.0%           | 6,530              | (19.6%)  |

The annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,147,098, \$1,786,835, and \$1,746,251. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

**The Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)**

NGNMRS is a defined benefit, single-employer retirement system established and administered by the state to provide pension benefits for eligible members of the Alaska National Guard and Alaska Naval Militia.

NGNMRS is considered a component unit of the state financial reporting entity. NGNMRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. The plan is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Benefit and contribution provisions are established by Chapter 5 of Alaska Statute Title 26 and may be amended only by the state legislature. NGNMRS provides for normal pension benefits and death benefits. Postemployment healthcare benefits are not provided.

No contributions are required from plan members. NGNMRS's funding policy provides for periodic contributions by Alaska Department of Military and Veterans' Affairs at actuarially determined amounts that are adequate to accumulate sufficient assets to pay benefits when due. State contributions are determined using the projected unit credit actuarial funding method.

The Schedule of Funding Progress for pension benefits follows (in thousands):

| Actuarial Valuation<br>Year Ended June 30 | Actuarial Value of<br>Plan Assets | Actuarial Accrued<br>Liabilities (AAL) | Unfunded Actuarial<br>Accrued Liabilities<br>(UAAL) | Funded<br>Ratio |
|---|-----------------------------------|--|---|-----------------|
| 2000                                      | \$ 13,734                         | \$ 17,967                              | \$ (4,233)  | 76.4%           |
| 2002                                      | 12,114                            | 20,545                                 | (8,431)   | 59.0%           |
| 2004                                      | 13,391                            | 19,749                                 | (6,358)   | 67.8%           |

The annual required contributions for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,025,257, \$1,322,502, and \$1,322,502. The percentage contributed for June 30, 2005, 2004 and 2003 were 99 percent, 100 percent, and 100 percent. For FY05, the state made contributions of \$1,996,800, which results in a first time NPO of \$28,457.

**The Elected Public Officers Retirement System (EPORS)**

EPORS is a defined benefit single-employer retirement plan administered by the state to provide pension and post-employment healthcare benefits to the governor, the lieutenant governor, and all legislators that participated in the System between January 1, 1976, and October 14, 1976. EPORS is funded by both employee contributions and an annual appropriation from the state General Fund. Retirement benefits are based on the member's years of service and the current salary for the position from which they retired or an average of the three highest consecutive years' salaries. The pension benefit is equal to 5 percent for each year of service as governor, lieutenant governor, or a legislator, plus 2 percent for other covered service, not to exceed 75 percent (AS 39.37.050). The plan also provides death and disability benefits.

Plan members contribute 7 percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the state for EPORS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$1.6 million, 1.8 million, and \$1.4 million. The contributions received from employees totaled \$11,510 in FY 05. EPORS is a closed plan and no separate financial statement or actuarial valuation report is issued for EPORS.

**ASSET VALUATION**

See Note 4 for information on pension funds' deposits and investments risk categories. The table below discloses the fair value of each pension plan's cash and investments. All amounts are in thousands.

| <u>Systems</u>   | <u>Fair Value</u> |
|--|-------------------|
| Public Employees' Retirement System                              | \$9,246,331       |
| Teachers' Retirement System                                      | 4,335,149         |
| Judicial Retirement System                                       | 79,819            |
| Alaska National Guard and Alaska Naval Militia Retirement System | 16,174            |

**PLAN MEMBERSHIPS**

The table below includes the plan membership counts. With the exception of EPORS, the counts are as of the actuarial valuation report date. The plan membership count for EPORS is based upon membership as of June 30, 2005.

|  | <u>PERS</u>   | <u>TRS</u>    | <u>JRS</u> | <u>NGNMRS</u> | <u>EPORS</u> |
|--|---------------|---------------|------------|---------------|--------------|
|  | 6/30/03       | 6/30/03       | 6/30/04    | 6/30/04       | 6/30/05      |
| Retirees & beneficiaries receiving benefits &<br>Terminated members with future benefits | 24,272        | 9,020         | 86         | 1,179         | 37           |
| Current active employees:  |               |               |            |               |              |
| Vested   | 18,108        | 5,289         | 53         | *             | 3            |
| Nonvested  | 15,957        | 4,584         | 9          | 3,866         | -            |
| Total  | <u>58,337</u> | <u>18,893</u> | <u>148</u> | <u>5,045</u>  | <u>40</u>    |

\* A breakdown of active employees between vested and nonvested was not available for NGNMRS.

**FUNDING STATUS AND PROGRESS**

**Actuarial Method and Assumptions**

All systems use the "projected unit credit" method. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date. To the extent that this liability is not covered by assets of the plan there is an unfunded liability to be funded over a chosen period in accordance with an amortization schedule.

The following main assumptions were used in the actuarial valuation.

| System | Investment Return Compounded Annually | Salary Scale Increase  | Health Cost Inflation  | Consumer Price Index Inflation | Valuation Date |
|--------|---------------------------------------|--|--|--------------------------------|----------------|
| PERS   | 8.25%                                 | 6.0% first 5 years - Police & Firefighters, 5.5% first 10 Years – all others | FY 04 – 05 – 12.0%; FY 06 – 11.5%;<br>FY 07 – 11.0%; FY 08 – 10.5%;<br>FY 09–10.0%; FY 10 – 9.5%,<br>FY 11 – 9.0%, FY 12 – 8.5%, FY 13 – 8.0%, FY 14 – 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%    | 3.5%                           | 6/30/03        |
| TRS    | 8.25%                                 | 5.5% first 5 years   | FY 04 – 05 – 12.0%; FY 06 – 11.5%; FY 07 – 11.0%, FY 08 – 10.5%; FY 09 – 10.0%, FY 10 – 9.5%, FY 11 – 9.0%; FY 12 – 8.5%<br>FY 13 – 8.0%; FY 14 – 7.5%, FY 15 – 7.0%, FY 16 – 6.0%, and FY 17 and later – 5.0%         | 3.5%                           | 6/30/03        |
| JRS    | 8.25%                                 | 4.0% per year  | FY 05 – 12.0%; FY 06 – 11.5%;<br>FY 07 – 11.0%, FY 08 10.5%,<br>FY 09 – 10.0%, FY 10 – 9.5%,<br>FY 11 – 9.0%; FY 12 – 8.5%<br>FY 13 – 8.0%; FY 14 – 7.5%,<br>FY 15 – 7.0%, FY 16 – 6.0%, and<br>FY 17 and later – 5.0% | 3.5%                           | 6/30/04        |
| NGNMRS | 8.25%                                 | –  | –  | –                              | 6/30/04        |
| EPORS  | 9.0%                                  | 6.0 % per year   | 9.0% per year  | –                              | 6/30/86        |

All assets are at market value.

For PERS and TRS assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years and phased in over the next five years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets.

**B. NON-STATE ADMINISTERED PLANS**

THE MARINE ENGINEERS’ BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the state contributes an amount (set by union contract) for each employee. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$552.4 thousand in FY 05.



**NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS**

**A. STATE ADMINISTERED PLANS**

**SUPPLEMENTAL BENEFITS SYSTEM**

In addition to the pension plans (Note 7) and deferred compensation plan (Note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the Federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the state had not withdrawn, participate in SBS. Other employers whose employees participate in the state Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2005, there were fifteen other employers participating in SBS. There were approximately 33,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. The Alaska State Pension Investment Board (ASPIB) is responsible for the specific investment of monies in SBS. Effective October 1, 2005 the ASPIB will be disbanded and their duties will be assumed by the Alaska Retirement Management Board.

SBS is considered a component unit of the state financial reporting entity. SBS issues a separate stand-alone financial report that includes financial statements and required supplementary information, and SBS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The state is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The state's mandatory contributions for the year ending January 31, 2005, were \$97.7 million. The state's covered payroll was approximately \$797.2 million.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2005, were approximately \$4.6 million.

Employees are eligible to withdraw from the Supplemental Annuity Plan sixty days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from Plan assets. The SBS administrator issues lump-sum payments through its contracted record keeper.

Benefits available under the Supplemental Benefits Plan include death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions and may be amended and/or changed on an annual basis or in conjunction with an employee change in status. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The state administers the dependent care reimbursement plan.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2005. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds, in addition to participant contributions received during the year and deduction for administrative fees.

Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds.

**B. NON-STATE ADMINISTERED PLANS**

**THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)**

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$731.3 thousand in FY 05.

**NOTE 9 – DEFERRED COMPENSATION PLAN**

The State of Alaska Deferred Compensation Plan (Plan) was created by Alaska statutes. It is a deferred compensation plan under section 457 of the Internal Revenue Code. It is available to all permanent employees or elected officials of the State (and with the April 1, 2003 amendment all long term non-permanent employees) who have completed a full pay period of employment. Participants authorize the state to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2004, the Plan had approximately 8,100 participants.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the new law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This new law repealed the requirement that a section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. The Plan Document for the State of Alaska Deferred Compensation Plan was amended to recognize and establish the Trust requirement for the Plan.

The Division of Retirement and Benefits is responsible for Plan administration and recordkeeping. The Alaska State Pension Investment Board (ASPIB) is responsible for the specific investment of monies in the plan. Effective October 1, 2005, the ASPIB will be disbanded and their duties will be assumed by the Alaska Retirement Management Board.

Participant accounts are self-directed with respect to investment options. Each participant designates how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the increase or decrease in unit value for the investment funds.

Deferred Compensation net assets as of December 31, 2004, were \$454.3 million. Deferred Compensation is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

**NOTE 10 – INTERFUND TRANSACTIONS**

The following schedules summarize individual interfund receivable and payable balances at June 30, 2005, and interfund transfers for the year then ended (in thousands):

**INTERFUND RECEIVABLE / PAYABLE BALANCES**

| Due to Other Funds     | Due from Other Funds |                             |                           |                        |                 | Total             |
|------------------------|----------------------|-----------------------------|---------------------------|------------------------|-----------------|-------------------|
|                        | General Fund         | Nonmajor Governmental Funds | Nonmajor Enterprise Funds | Internal Service Funds | Fiduciary Funds |                   |
| General Fund           | \$ -                 | \$ 687                      | \$ 431                    | \$ 19,131              | \$ 2,304        | \$ 22,553         |
| Alaska Permanent Fund  | 558,882              | -                           | -                         | -                      | -               | 558,882           |
| Nonmajor               |                      |                             |                           |                        |                 |                   |
| Governmental Funds     | 15,233               | -                           | -                         | -                      | -               | 15,233            |
| International Airports | 30,809               | -                           | -                         | -                      | -               | 30,809            |
| Nonmajor               |                      |                             |                           |                        |                 |                   |
| Enterprise Funds       | 2,656                | -                           | -                         | -                      | -               | 2,656             |
| Internal Service Funds | 20                   | -                           | -                         | -                      | -               | 20                |
| Fiduciary Funds        | 3,131                | -                           | -                         | -                      | -               | 3,131             |
| Other                  | 2,825                | -                           | -                         | 614                    | (5)             | 3,434             |
| Total                  | <u>\$ 613,556</u>    | <u>\$ 687</u>               | <u>\$ 431</u>             | <u>\$ 19,745</u>       | <u>\$ 2,299</u> | <u>\$ 636,718</u> |

The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2005.

The \$559 million balance due from the Alaska Permanent Fund to the General Fund includes \$532 million for payment of 2005 Permanent Fund Dividends to qualified residents of the state and administrative and associated costs of the 2005 Permanent Dividend Program. The remaining balance of \$27 million Due from the Alaska Permanent Fund is payable to the Alaska Capital Income Fund, a subfund of the General Fund. The Due to the Alaska Capital Income Fund is for realized earnings on the principal balance of the dedicated state revenues from the settlement of the North Slope royalty case, *State v. Amerada Hess, et. al.*

The majority of the other Due from Other Funds and Due to Other Funds balances are attributable to FY 05 activity during the reappropriation period in July and August 2005 that caused the movement of cash balances between funds after June 30, 2005.

**INTERFUND TRANSFERS**

| Transfers From            | Transfers to      |                             |                           |                        | Total             |
|---------------------------|-------------------|-----------------------------|---------------------------|------------------------|-------------------|
|                           | General Fund      | Nonmajor Governmental Funds | Nonmajor Enterprise Funds | Internal Service Funds |                   |
| General Fund              | \$ -              | \$ 31,438                   | \$ 755                    | \$ 21,945              | \$ 54,138         |
| Alaska Permanent Fund     | 558,882           | -                           | -                         | -                      | 558,882           |
| Nonmajor                  |                   |                             |                           |                        |                   |
| Governmental Funds        | 2,911             | -                           | -                         | -                      | 2,911             |
| Nonmajor Enterprise Funds | 5,723             | -                           | -                         | -                      | 5,723             |
| Internal Service Funds    | 1,223             | -                           | -                         | -                      | 1,223             |
| Other                     | 4,364             | -                           | -                         | 1                      | 4,365             |
| Total                     | <u>\$ 573,103</u> | <u>\$ 31,438</u>            | <u>\$ 755</u>             | <u>\$ 21,946</u>       | <u>\$ 627,242</u> |

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments come due, and transfer accumulated surpluses from other funds to the General Fund. The transfer from Alaska Permanent Fund to the General Fund includes a \$532 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The remaining \$27 million transfer from the Alaska Permanent Fund is the realized earnings on the principal balance of the dedicated state revenues from the settlement of the North Slope royalty case, *State v. Amerada Hess, et. al*, appropriated to the Alaska Capital Income Fund, a subfund of the General Fund. The transfer from Other to the General Fund represents an appropriation from the Investment Loss Trust account within the Supplemental Benefit Fund, a fiduciary fund, which does not report the transfer out.

## **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

### **A. SICK LEAVE**

The cost of state employee sick leave is charged against agency appropriations when leave is used rather than when leave is earned. There is no recorded liability for sick leave in the financial records of the state. Accordingly, the statements in this report do not include an estimate of this obligation as either a liability or a reserve.

The estimated amount of unused accumulated sick leave as of June 30, 2005, is \$35.2 million. This amount was calculated using the base pay on file for each employee as of June 30, 2005. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

### **B. SCHOOL DEBT**

Under a program enacted in 1970 (AS 14.11.100), the state may reimburse municipalities up to 80, 90, or 100 percent of debt service on bonds issued to finance school construction. The percentage depends on the year in which the costs are incurred. The 80 percent limitation, enacted in 1985, applies to fiscal years after June 30, 1983. The higher percentages apply to earlier years.

Although the statute provides that the state may reimburse school districts 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the state to make these payments. The amount for FY 05 expended for school debt was \$72 million, which was 100 percent of the entitlement. The total debt requirement assuming the state makes full payment of its share of school debt service would be approximately \$1,149 million. The state has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

### **C. RISK MANAGEMENT AND SELF-INSURANCE**

The state maintains a risk management program that is administered by the Department of Administration, Division of Risk Management. The Division of Risk Management's objective is to protect the financial assets and operations of the State of Alaska from accidental loss through a comprehensive self-insurance program for normal and expected property and casualty claims of high frequency and low severity, combined with high-limit, broad-form excess insurance protection for catastrophic loss exposures.

Risk Management acts as the insurance carrier for each state agency, funding all sudden and accidental property and casualty claims. The annual premiums allocated by Risk Management are the maximum each agency is called upon to pay. This planning for known and catastrophic losses forestalls the need for the affected agency to request a supplemental appropriation or disrupt vital state services after a major property loss, adverse civil jury award, or significant workers' compensation claim.

By effectively managing the state's property and liability exposures through a comprehensive self-insurance program, Risk Management expends less public funds than would be paid to private insurance companies, while at the same time providing streamlined claims services utilizing professional adjusting firms located throughout Alaska.

Property insurance with all-risk (including earthquake and flood) coverage is provided on a replacement cost basis for all state-owned or leased property; buildings (including contents, museum fine arts, etc.), aircraft, watercraft (Alaska Marine Highway System ferries and other agency vessels), and large highway bridges.

Casualty coverages protect each state agency and their personnel from third-party civil (tort) liability claims alleged to have arisen from combined liability - general (premises/operations), automobile, professional (errors and omissions), medical malpractice, aviation (aircraft and airport), or marine (crew and passenger injuries).

Additional specialty coverage include blanket public employee faithful performance and custom bonding, accidental death and disability (including medical expenses) for volunteers, computer fraud and foreign liability, etc. These insurance programs continually evolve, responding to new activities and special projects undertaken by each state agency. The state has not incurred a loss in excess of its insurance program.

In FY 05, the state completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The state had Self-Insured Retention (SIR) levels of \$1 million per claim for property and marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$50 million per occurrence for marine, \$100 million for property, and \$500 million for aviation.

Both domestic and international insurance companies and various Lloyd's of London underwriting syndicates participate in the State of Alaska's excess insurance program. Independent brokers provide marketing. The state obtains an annual independent actuarial assessment of the state insurance program as required by AS 37.05.287(b).

An unconstrained audit of the State of Alaska's overall property and casualty insurance program performed by an independent risk management consultant found the retention levels and excess insurance coverage purchased are appropriate.

Risk Management's budget is funded entirely through interagency receipts annually billed to each agency through a "Cost of Risk" premium allocation system. The Risk Management information system generates the annual cost of risk allocation to each agency, reflecting their proportionate share of the state's overall cost of risk. Designed to achieve equitable distribution of the self-insurance program costs, it factors exposure values subject to loss and considers the past five years actual claims experience incurred by each department.

For most cost of risk allocations, 80 percent of the premium billing is based on the average of the past five years actual claims experience. This provides a direct fiscal incentive to each agency to reduce or control their claim costs.

The program compiles a property inventory schedule of all owned or leased buildings used or occupied by state agencies, listing age and type of building construction, occupancy, fire protection services and sprinkler systems, and projected replacement cost value. Individual premiums are then determined and, in cases of multiple occupancy, allocated to each department on the basis of their square foot use.

The "Cost of Risk" premium is collected through two methods from individual state agency operating budgets. Reimbursable Services Agreements (RSAs) are used for all categories of insurance other than Workers' Compensation and Combined Liability (general, auto, and professional), which are assessed on a rate per \$100 payroll applied monthly to each agency's actual payroll until the allocated premium is paid.

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2004 and June 30, 2005. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3 percent discount interest rate for FY 04 and a 3 percent discount interest rate for FY 05.

| Fiscal Year | Beginning Balance | Current Year Claims and Changes in Estimates | Claim Payments  | Ending Balance |
|-------------|-------------------|--|-----------------|----------------|
| 2004        | \$ 78,624,473     | \$ 12,708,189                                | \$ (22,155,176) | \$ 69,177,486  |
| 2005        | 69,177,486        | 22,354,560                                   | (24,956,131)    | 66,575,915     |

**D. LITIGATION**

The state is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$5 million, with an additional possible liability of \$65.4 million. The probable loss amount has been reported as long-term debt obligations.

The amount of revenue recognized by the Northern Tobacco Securitization Corporation could be adversely impacted by certain third party litigation involving tobacco companies and others.

**E. FEDERAL GRANTS**

The state has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, it is believed that any required reimbursements will not be material.

**F. DISASTER RELIEF FUND**

The state may be liable to reimburse communities for expenditures related to disasters in excess of the amount allocated by the state.

**G. FUTURE LOAN COMMITMENTS**

As of June 30, 2005, the Alaska Clean Water Fund and the Alaska Drinking Water Fund committed to disbursing future loans for a net total of \$38,013,399 and \$27,837,051 respectively. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn; accordingly, they are not included in the financial statements for these funds.

At June 30, 2005, Alaska Energy Authority had open loan commitments of \$3,991,000.

At June 30, 2005, Alaska Industrial Development and Export Authority (AIDEA) had extended open loan commitments of \$32,587,000 and loan guarantees of \$2,172,000. In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of \$30,000,000. No loans have been made pursuant to this authorization.

**H. INVESTMENT COMMITMENTS**

The Alaska State Pension Investment Board (ASPIB) has entered into agreements with external investment managers to provide funding for future investments.

| Investment Type/Term   | PERS                      | TRS                       | JRS          |
|--|---------------------------|---------------------------|--------------|
| Domestic Equity Limited Partnerships<br>Withdrawn annually in December<br>with 90-days notice.   | \$ 104,826,035            | \$ 48,993,175             | \$ 1,033,695 |
| Limited Partnership<br>94% paid through 2010.<br>6% withdrawn annually in<br>December with 90 days notice.<br>To be paid through 2007. | 482,295,527<br>39,800,301 | 225,369,315<br>18,599,699 |              |
| Real Estate Investment<br>To be paid through 2010.   | 235,140,626               | 109,881,612               | 2,285,633    |
|  | \$ 862,062,489            | \$ 402,843,801            | \$ 3,319,328 |

**NOTE 12 – SUBSEQUENT EVENTS**

**A. ALASKA MUNICIPAL BOND BANK AUTHORITY**

Subsequent to June 30, 2005, the Bond Bank issued two general obligation bond series to follow:

1. General Obligation Bonds, 2005 Series C, in the face amount of \$32,060,000 with interest rates ranging from 4 percent to 5 percent over maturities of October 1, 2006 through October 1, 2025.
2. General Obligation Bonds, 2005 Series One, in the face amount of \$18,450,000, sold in October 2005. Interest rates ranging from 3 percent to 5.25 percent over maturities of June 1, 2006 through June 2025.
3. In September 2005, \$250,000 in earnings from the Custodian Account will be transferred to the State of Alaska and deposited in the State's Debt Retirement Fund.
4. City of Nome and St. Paul have entered in negotiations, with NOAA, for the restructuring and possible forgiveness for their respective Coastal Energy loans. The related loan payables do not represent a general obligation of the Authority, as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank. Loan payments due in August 2005 have not been made.

**B. ALASKA STUDENT LOAN CORPORATION**

1. On July 1, 2005, the Alaska Student Loan Corporation called all outstanding Series 1995 A Bonds at par in the amount of \$15,900,000.
2. On July 28, 2005, the Alaska Student Loan Corporation issued \$58,250,000 of Education Loan Revenue Bonds, Senior 2005 Series A to finance education loans. The bonds were issued with fixed rates ranging from 4 percent to 5 percent.

**C. ALASKA CLEAN WATER FUND**

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 06. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

**D. ALASKA DRINKING WATER FUND**

Plans are in place to issue Series B Revenue Bond Anticipation Notes for FY 06. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

**E. CERTIFICATES OF PARTICIPATION**

On October 12, 2005, the State of Alaska issued Certificates of Participation totaling \$24,000,000 for the purpose of financing the state virology laboratory facility in Fairbanks to be operated by the Department of Health and Social Services. Repayment of this debt is subject to annual appropriation by the legislature.

**F. GOVERNMENTAL FUND REVENUE BONDS**

Revenue bonds were authorized for sale not to exceed \$69,000,000 for the purpose of financing construction and renovation of state sport fishing facilities. The earliest potential sale of these revenue bonds is December 2005. The proceeds from the bonds will be deposited in the Fish and Game Special Revenue Fund. These revenue bonds do not constitute a general obligation of the state. The Fish and Game Fund will repay the debt from collections from sport fishing facility surcharge on sport fishing licenses.



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# Required Supplementary Information

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STATE OF ALASKA  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2005  
 (Stated in Thousands)

STATEMENT 2.01

|  | Original<br>Budget | Final<br>Budget | Actual       | Variance with<br>Final Budget |
|--|--------------------|-----------------|--------------|-------------------------------|
| <b>REVENUES</b>  |                    |                 |              |                               |
| Unrestricted:  |                    |                 |              |                               |
| Taxes  | \$ 1,020,324       | \$ 1,020,579    | \$ 1,705,263 | \$ (684,684)                  |
| Licenses and Permits   | 100,623            | 102,730         | 95,947       | 6,783                         |
| Charges for Services   | 569,889            | 575,562         | 568,108      | 7,454                         |
| Fines and Forfeitures  | 17,400             | 17,400          | 10,926       | 6,474                         |
| Rents and Royalties  | 909,655            | 909,845         | 1,408,688    | (498,843)                     |
| Premiums and Contributions   | 230                | 240             | 10,605       | (10,365)                      |
| Interest and Investment Income   | 95,435             | 95,435          | 155,297      | (59,862)                      |
| Payments In from Component Units   | 80,461             | 80,461          | 80,461       | 0                             |
| Other Revenues   | 19,511             | 19,511          | 17,117       | 2,394                         |
| Restricted:  |                    |                 |              |                               |
| Federal Grants in Aid  | 5,333,705          | 5,541,893       | 1,880,805    | 3,661,088                     |
| Interagency  | 501,745            | 736,949         | 475,669      | 261,280                       |
| Payments In from Component Units   | 193,762            | 193,762         | 40,851       | 152,911                       |
| Other Revenues   | 1,579              | 1,579           | 1,820        | (241)                         |
| Total Revenues   | 8,844,319          | 9,295,946       | 6,451,557    | 2,844,389                     |
| <b>EXPENDITURES</b>  |                    |                 |              |                               |
| Current:   |                    |                 |              |                               |
| General Government   | 679,833            | 716,316         | 659,045      | 57,271                        |
| Alaska Permanent Fund Dividend   | 553,901            | 553,901         | 552,232      | 1,669                         |
| Education  | 1,144,687          | 1,162,751       | 1,126,569    | 36,182                        |
| University   | 238,710            | 238,787         | 237,021      | 1,766                         |
| Health and Human Services  | 2,181,288          | 2,299,908       | 2,018,309    | 281,599                       |
| Law and Justice  | 157,229            | 179,553         | 161,359      | 18,194                        |
| Public Protection  | 644,580            | 780,172         | 626,852      | 153,320                       |
| Natural Resources  | 416,806            | 461,635         | 304,879      | 156,756                       |
| Development  | 259,163            | 291,054         | 214,039      | 77,015                        |
| Transportation   | 3,872,550          | 4,253,793       | 1,301,878    | 2,951,915                     |
| Intergovernmental Revenue Sharing  | 41,637             | 48,788          | 47,721       | 1,067                         |
| Debt Service:  |                    |                 |              |                               |
| Principal  | 10,365             | 10,365          | 10,295       | 70                            |
| Interest and Other Charges   | 3,718              | 3,718           | 3,567        | 151                           |
| Total Expenditures   | 10,204,467         | 11,000,741      | 7,263,766    | 3,736,975                     |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | (1,360,148)        | (1,704,795)     | (812,209)    | (892,586)                     |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                    |                 |              |                               |
| Refunding Bonds Issued   | 25,725             | 25,725          | 25,725       | 0                             |
| Refunding Bond Issue Premium   | 1,251              | 1,251           | 1,251        | 0                             |
| Payment to Refunded Bond Escrow Agent  | (26,858)           | (26,858)        | (26,858)     | 0                             |
| Transfers In from Other Funds  | 594,828            | 1,164,020       | 1,163,553    | 467                           |
| Transfers (Out to) Other Funds   | (84,203)           | (647,899)       | (647,899)    | 0                             |
| Total Other Financing Sources<br>and Uses  | 510,743            | 516,239         | 515,772      | 467                           |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>Budgetary Basis | \$ (849,405)       | \$ (1,188,556)  | (296,437)    | \$ (892,119)                  |
| <b>Reconciliation of Budgetary/<br/>GAAP Reporting:</b>  |                    |                 |              |                               |
| Adjust Expenditures for Encumbrances   |                    |                 | 956,156      |                               |
| Basis Difference   |                    |                 | 58,758       |                               |
| Perspective Difference   |                    |                 | (70,673)     |                               |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>GAAP Basis      |                    |                 | 647,804      |                               |
| Fund Balances - Beginning of Year  |                    |                 | 3,439,863    |                               |
| Prior Period Adjustment  |                    |                 | (17,932)     |                               |
| Fund Balances - End of Year  |                    |                 | \$ 4,069,735 |                               |

**Note to Required Supplementary Information – Budgetary Reporting  
For the Fiscal Year Ended June 30, 2005**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The state issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99801-0204, or may be viewed online at [http://fin.admin.state.ak.us/dof/financial\\_reports/cafr\\_toc.jsp](http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp), the Division of Finance web page under Financial Reports.

The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The reconciliation of the budgetary basis to GAAP is shown directly on the Budgetary Comparison Schedule – General Fund. Both the annual operating budget and the net continuing total budget are included.

The types of differences are as follows:

- Encumbrances are included for total authorized expenditures although for GAAP purposes they are excluded.
- There was certain financial activity related to reimbursable services agreements (RSA) and certain interfund transactions that were recorded both in the general fund and in other funds. For budgetary purposes, that activity was left in the general fund, but for GAAP purposes it was eliminated from the general fund.
- Basis differences arise when the budgetary basis of accounting differs from the basis of accounting applicable to fund type when reporting on operations in accordance with GAAP. This difference is comprised of the following in the general fund (in thousands):

|   |           |
|---|-----------|
| Petroleum Severance Taxes and Royalties | \$ 55,664 |
| Medical Assistance Program              | (3,288)   |
| Working Reserve                         | 4,339     |
| Tobacco Tax                             | 2,859     |
| Alcohol Tax                             | (811)     |
| Tire Tax                                | (20)      |
| Vehicle Rental Tax                      | 15        |
| Total General Fund Basis Difference     | \$ 58,758 |

- Perspective differences result from the structure of financial information for budgetary purposes. The Group Health and Life Benefits Fund (Group Health and Life, and Retiree Health) and the Alaska Public Building Fund are established by statute as accounts within the general fund, but must be reported as internal service funds to conform to GAAP. The federal receipts/disbursements for PL 103-382, Title VIII are budgeted in the general fund but are accounted for as an agency fund.

|  |             |
|--|-------------|
| Group Health and Life                        | \$ (73,506) |
| Alaska Public Building Fund                  | 929         |
| Federal Receipts for PL 103-382 (Impact Aid) | 1,904       |
| Total General Fund Perspective Difference    | \$ (70,673) |



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# Combining Fund Statements

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**STATE OF ALASKA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2005**  
**(Stated in Thousands)**

**STATEMENT 3.01**

|  | Permanent Fund                 |                             |
|--|--------------------------------|-----------------------------|
|  | Public<br>School Trust<br>Fund | Special<br>Revenue<br>Funds |
| <b>ASSETS</b>                              |                                |                             |
| Cash and Investments                       | \$ 317,193                     | \$ 107,736                  |
| Accounts Receivable - Net                  | 888                            | 3,027                       |
| Interest and Dividends Receivable          | 625                            |                             |
| Due from Other Funds                       | 360                            | 327                         |
| Due from Component Units                   |                                |                             |
| Due from Other Governments                 |                                | 5,829                       |
| Loans, Notes, and Bonds Receivable         | 57                             |                             |
| Securities Lending Collateral              | 18,611                         | 203                         |
| Other Assets                               |                                | 28                          |
| <b>Total Assets</b>                        | <b>\$ 337,734</b>              | <b>\$ 117,150</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                |                             |
| Liabilities:                               |                                |                             |
| Accounts Payable and Accrued Liabilities   | \$ 9                           | \$ 9,246                    |
| Obligations Under Securities Lending       | 18,611                         | 203                         |
| Due to Other Funds                         |                                | 2,432                       |
| Due to Component Units                     |                                | 5                           |
| Unearned and Deferred Revenue              | 517                            | 20                          |
| Other Liabilities                          | 2                              | 320                         |
| <b>Total Liabilities</b>                   | <b>19,139</b>                  | <b>12,226</b>               |
| Fund Balances:                             |                                |                             |
| Reserved:                                  |                                |                             |
| Encumbrances                               | 43                             | 28,933                      |
| Debt Service                               |                                |                             |
| Other Purposes                             | 309,031                        |                             |
| Unreserved:                                |                                |                             |
| Designated for Continuing Appropriations   | 539                            | 12,263                      |
| Designated for Other                       |                                | 180                         |
| Undesignated                               | 8,982                          | 63,548                      |
| <b>Total Fund Balances</b>                 | <b>318,595</b>                 | <b>104,924</b>              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 337,734</b>              | <b>\$ 117,150</b>           |

STATEMENT 3.01

| Debt Service<br>Funds | Capital Projects<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|-----------------------|---------------------------|---|
| \$ 35,148             | \$ 262,751                | \$ 722,828                              |
| 63                    | 694                       | 3,915                                   |
|                       |                           | 1,382                                   |
|                       |                           | 687                                     |
|                       | 44                        | 44                                      |
|                       |                           | 5,829                                   |
| 56                    | 2,484                     | 57                                      |
|                       |                           | 21,354                                  |
|                       |                           | 28                                      |
| <u>\$ 35,267</u>      | <u>\$ 265,973</u>         | <u>\$ 756,124</u>                       |
|                       |                           |   |
| \$ 56                 | \$ 2,971                  | \$ 12,226                               |
|                       | 2,484                     | 21,354                                  |
|                       | 12,801                    | 15,233                                  |
|                       |                           | 5                                       |
|                       |                           | 537                                     |
|                       |                           | 322                                     |
| <u>56</u>             | <u>18,256</u>             | <u>49,677</u>                           |
|                       |                           |   |
|                       | 120,754                   | 149,730                                 |
| 35,211                |                           | 35,211                                  |
|                       |                           | 309,031                                 |
|                       | 117,565                   | 130,367                                 |
|                       |                           | 180                                     |
|                       | 9,398                     | 81,928                                  |
| <u>35,211</u>         | <u>247,717</u>            | <u>706,447</u>                          |
| <u>\$ 35,267</u>      | <u>\$ 265,973</u>         | <u>\$ 756,124</u>                       |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2005  
 (Stated in Thousands)

|  | Permanent Fund<br>Public<br>School Trust<br>Fund | Special<br>Revenue<br>Funds |
|--|--|-----------------------------|
| <b>REVENUES</b>                                      |  |                             |
| Taxes  | \$   | \$ 29,950                   |
| Licenses and Permits                                 |  | 26,942                      |
| Charges for Services                                 |  | 389                         |
| Fines and Forfeitures                                | 1  | 103                         |
| Rents and Royalties                                  | 9,590  | 31,595                      |
| Premiums and Contributions                           |  | 6,548                       |
| Interest and Investment Income                       | 22,232   | 864                         |
| Federal Grants in Aid                                |  | 26,994                      |
| Other Revenues                                       |  | 65                          |
| Total Revenues                                       | <u>31,823</u>                                    | <u>123,450</u>              |
| <b>EXPENDITURES</b>                                  |  |                             |
| Current:   |  |                             |
| General Government                                   | 185  | 1,816                       |
| Education  | 12,146   | 32,941                      |
| University   |  |                             |
| Health and Human Services                            |  | 5,361                       |
| Law and Justice                                      | 49   | 637                         |
| Public Protection                                    |  | 923                         |
| Natural Resources                                    |  | 56,863                      |
| Development  |  | 7,823                       |
| Transportation                                       |  | 13                          |
| Debt Service:  |  |                             |
| Principal  |  |                             |
| Interest and Other Charges                           |  |                             |
| Total Expenditures                                   | <u>12,380</u>                                    | <u>106,377</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>19,443</u>                                    | <u>17,073</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                |  |                             |
| Transfers In from Other Funds                        |  | 2,687                       |
| Transfers (Out to) Other Funds                       |  |                             |
| Total Other Financing Sources<br>and Uses            | <u>0</u>   | <u>2,687</u>                |
| Net Change in Fund Balances                          | 19,443   | 19,760                      |
| Fund Balances - Beginning of Year                    | 299,152  | 85,164                      |
| Fund Balances - End of Year                          | <u>\$ 318,595</u>                                | <u>\$ 104,924</u>           |



STATEMENT 3.02

| Debt Service<br>Funds | Capital Projects<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|-----------------------|---------------------------|---|
| \$                    | \$                        | \$ 29,950                               |
|                       |                           | 26,942                                  |
|                       |                           | 389                                     |
|                       |                           | 104                                     |
|                       |                           | 41,185                                  |
|                       |                           | 6,548                                   |
| 1,582                 | 7,462                     | 32,140                                  |
| 17,407                |                           | 26,994                                  |
| <u>18,989</u>         | <u>7,462</u>              | <u>17,472</u>                           |
|                       |                           | 181,724                                 |
|                       |                           | 2,001                                   |
|                       | 63,476                    | 108,563                                 |
|                       | 7,896                     | 7,896                                   |
|                       |                           | 5,361                                   |
|                       |                           | 686                                     |
|                       |                           | 923                                     |
|                       |                           | 56,863                                  |
|                       |                           | 7,823                                   |
|                       | 62,807                    | 62,820                                  |
| 29,275                |                           | 29,275                                  |
| 35,422                |                           | 35,422                                  |
| <u>64,697</u>         | <u>134,179</u>            | <u>317,633</u>                          |
| <u>(45,708)</u>       | <u>(126,717)</u>          | <u>(135,909)</u>                        |
| 28,751                |                           | 31,438                                  |
|                       | (2,911)                   | (2,911)                                 |
| <u>28,751</u>         | <u>(2,911)</u>            | <u>28,527</u>                           |
| (16,957)              | (129,628)                 | (107,382)                               |
| 52,168                | 377,345                   | 813,829                                 |
| <u>\$ 35,211</u>      | <u>\$ 247,717</u>         | <u>\$ 706,447</u>                       |



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# General Fund

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The general fund is the state's primary operating fund. All public monies and revenues coming into the state treasury not specifically authorized by statute to be placed in a special fund constitute the general fund. Unlike other funds held in the name of the State, the general fund has become a fundamental component of our fund structure without benefit of formal creation by the Constitution or the Alaska Statutes.

There are several accounts and funds that have been created by law which are considered a part of the general fund. These are treated as subfunds of the general fund and are accounted for as individual funds for accounting purposes but they are included in the general fund for annual financial reporting purposes. The following lists those funds and accounts.

- **Adak Airport Operations Fund (Fund 11181)** – PL 101-510 – The Alaska Department of Transportation and Public Facilities and the U.S. Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Navel Air Facility known as the Adak Airport. In accordance with the agreement, the Navy paid the State \$10,000,000 to operate and maintain the airport.
- **Alaska Capital Income Fund (Fund 11185)** – AS 37.05.545 – Administered by the Department of Revenue. This fund consists of money deposited to the fund from income earned on money awarded in or received as a result of State v. Amerada Hess and of appropriations to the fund. Money may be appropriated from this fund for any public purpose, including to cover annual debt service and reserves for debt service on bonds authorized by state law.
- **Alaska Children's Trust Fund (Fund 34050)** – AS 37.14.200 – Administered by the Department of Health and Social Services, and the Alaska Children's Trust Board established in the Office of the Governor. The income from this endowment is used to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.
- **Alaska Debt Retirement Fund (Fund 11138)** – AS 37.15.011 – The fund consists of all money appropriated to it. The fund was established to help meet the general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- **Alaska Historical Commission Receipts Account (Fund 11111)** – AS 41.35.380 – Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- **Alaska Marine Highway System Fund (Fund 12135)** – AS 19.65.060 – Administered by the Department of Transportation and Public Facilities, Alaska Marine Highway System. Gross revenues of the Alaska Marine Highway System are deposited into the fund. The fund also consists of legislative appropriations of amounts necessary to provide stable services to the public, after consideration of gross revenue.
- **Alaska Marine Highway System Vessel Replacement Fund (Fund 11137)** – AS 37.05.550 – Managed by the Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.
- **Alaska Technical and Vocational Education Program Fund (Fund 11166)** – AS 23.15.830 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the account to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the account to the unemployment compensation fund established in AS 23.20.130.
- **Alaska Transportation Infrastructure Bank (Fund 21653)** – Section 350 of the National Highway System Designation Act of 1995 Federal Law – Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.

- **Alaska Veterans' Memorial Endowment (Fund 36010)** – AS 37.14.700(a) – Administered by the Department of Military and Veterans' Affairs to maintain and develop veteran memorials or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- **Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 11178)** – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- **Anatomical Gift Awareness Fund (Fund 11183)** – AS 13.50.160(a) – Administered by the Department of Administration. This fund was established to promote gifts under AS 13.50 the Health Care Decisions Act and to administer the donation program established under AS 13.50.130. The fund consists of donations and fees collected to support the Donor Registry Program.
- **Art in Public Places Fund (Fund 11124)** – AS 44.27.060 – Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.
- **Assistive Technology Loan Guarantee Fund (Fund 11154)** – AS 23.15.125 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- **Budget Reserve Fund (Fund 11115)** – AS 37.05.540 – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit may be appropriated to the budget reserve fund.
- **Building Safety Account (Fund 11177)** – AS 44.31.025 – Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 - 18.60.395, 18.60.800 - 18.60.620, and AS 18.62 relating to building safety and certificates of fitness.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174)** – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department's operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department's operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.
- **Constitutional Budget Reserve Fund (Fund 33041)** – Alaska Constitution, Article IX, Section 17; AS 37.13 – Administered by the Department of Revenue. All money received by the state as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- **Disaster Relief Fund (Fund 12125)** – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the state.
- **Donated Commodity Fee Fund (Fund 11120)** – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- **Educational Facilities Maintenance and Construction Fund (Fund 11142)** – AS 37.05.560 – Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.

- **Election Fund (Fund 11179)** – Federal H.R. 3295, “The Help America Vote Act”. Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- **Employment Assistance and Training Program Account (Fund 11134)** – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the unemployment compensation fund established in AS 23.20.130.
- **Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund (Fund 11161)** – AS 44.33.115 – Administered by the Department of Commerce, Community, and Economic Development. The department may use the fund to make grants to unincorporated rural communities in the area affected by the Exxon Valdez oil spill for capital projects for purposes of restoring, replacing, or enhancing subsistence resources or services or other services damaged or lost as a result of the Exxon Valdez oil spill.
- **FHWA - Airspace Leases Fund (Fund 11126)** – Section 156 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 requires that the state shall charge fair market value for the sale, use, or lease rentals of right-of-way airspace and that the federal share of these net incomes be used by the state for highway projects. This fund accounts for those revenues. The revenues are available for appropriation by the legislature for highway projects.
- **FICA Administration Fund (Fund 11110)** – AS 39.30.050 – Administered by the Department of Administration. The fund consists of the pro rata share of expenses incurred in the administration of 39.30.010 – 39.30.080 and collected from participating political subdivisions and from the state.
- **Fisheries Disaster Fund (Fund 11180)** – PL 108-7, SEC 2, Division N, Title V – Fisheries Disasters, Sec. 501(a). Administered by the Office of the Governor. \$35,000,000 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities, which have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; and assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.
- **Fuel Emergency Fund (Fund 11125)** – AS 26.23.400 – Administered by the Office of the Governor. This fund is used when the governor determines that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a city or borough, or to a village or unincorporated community to purchase emergency supplies of fuel.
- **Fund for the Improvement of School Performance (Fund 11145)** – AS 14.03.125 – Administered by the Department of Education and Early Development. It is used to make grants to a district located in the state for the purpose of improving school performance.
- **Major Maintenance Grant Fund (Fund 11144)** – AS 14.11.007 – Administered by the Department of Education and Early Development. The fund is used to make grants for the cost of school major maintenance.
- **Memorial Education Revolving Loan Fund (Fund 21611)** – AS 14.43.255 – Administered by the Department of Education and Early Development. The fund was created to pay tribute to the memory of Alaskans who, by example of their lives, or by their distinguished contribution and service to the state, their community, or their profession, exemplified the best that is the challenge of “The Great Land.” The funds shall be used to provide education loans to students selected under AS 14.43.250-325.
- **Municipal Capital Project Matching Grant Fund (Fund 11146)** – AS 37.06.010 – Administered by the Department of Commerce, Community, and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.

- **Oil and Hazardous Substance Release Prevention and Response (Fund 11128)** – AS 46.08.010 – Administered by the Department of Environmental Conservation. This fund is composed of two accounts: (1) the prevention account and (2) the response account. The fund consists of appropriations by the legislature of money from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under Chapter 46. This money is for the containment and cleanup of oil or a hazardous substance; monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance; and recovery of the cost to the state of the containment and cleanup of oil or a hazardous substance.
- **Oil and Hazardous Substance Release Prevention Mitigation Account (Fund 11139)** – AS 46.08.020(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance; and fines, penalties, or damages recovered under AS 46.08.005–46.08.080. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the prevention account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Oil and Hazardous Substance Release Response Mitigation Account (Fund 11153)** – AS 46.08.025(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site for which the state expended money from the former oil and hazardous substance release response fund before October 2, 1994, or for which the state expended money from the response account. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the response account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Permanent Fund Dividend Fund (Fund 33020)** – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- **Public Education Fund (Fund 11184)** – AS 14.17.300 – Administered by the Department of Education and Early Development. This account may be expended only in aid of public schools and for centralized correspondence study programs under Chapter 17 – Financing of Public Schools, and for transportation of pupils under AS 14.09.010.
- **Railbelt Energy Fund (Fund 11123)** – AS 37.05.520 – Managed by the Department of Revenue. The legislature may appropriate money from the fund for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.
- **Randolph-Sheppard Small Business Fund (Fund 11118)** – AS 23.15.130, 20 USC 107-107(f) – Administered by the Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- **Real Estate Surety Fund (Fund 11121)** – AS 08.88.450 – Administered by the Department of Commerce, Community, and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.
- **School Construction Grant Fund (Fund 11143)** – AS 14.11.005 – Administered by the Department of Education and Early Development. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund.
- **School Trust Land Sales (Fund 11162)** – Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for the sales of 21 parcels of public school trust land the status of which is in litigation.

- **Senior Care Fund (Fund 11182)** – Chapter 3, SLA 2004 amended the uncodified law of the State of Alaska by creating the Senior Care Fund to be used by the Department of Health and Social Services. The fund is used to pay for the costs incurred for the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as far as practicable under appropriations provided by law.
- **State Insurance Catastrophe Reserve Account (Fund 11133)** – AS 37.05.289 – Administered by the Department of Administration. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.
- **State Land Disposal Income Fund (Fund 11164)** – AS 38.04.022(a) – Administered by the Department of Natural Resources. The fund consists of revenue from the state land disposal program.
- **State Land Reforestation Fund (Fund 12130)** – AS 41.17.300 – Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation, seed and seedling acquisition and cultivation, planting, and other reforestation measures, timber stand improvement, and the development of materials and techniques for the reforestation of state land.
- **Storage Tank Assistance Fund (Fund 11136)** – AS 46.03.410 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated to it by the legislature. The receipts of the fund may be used for certain costs as defined in AS 46.03.410(a) relating to underground petroleum storage tank systems and for grants and loans.
- **Surplus Property Revolving Fund (Fund 11112)** – AS 37.05.500(a)(2), AS 44.68.130 – Administered by the Department of Administration. This fund is to account for revenues from the users or purchasers of excess federal property that the state has acquired and is used to pay the administrative expenses incurred in managing this property.
- **Tobacco Use Education and Cessation Fund (Fund 11175)** – AS 37.05.580 – Administered by the Department of Health and Social Services. This fund consists of 20 percent of the annual revenue derived from the settlement of State of Alaska v. Philip Morris, Incorporated, et al, No. 1JU-97-915 CI (Alaska Super. 1997). The purpose of this fund is to provide a source to finance the comprehensive smoking education, tobacco use prevention, and tobacco control program authorized by AS 44.29.020(a)(15).
- **TAPS Rebate Fund (Fund 11163)** – Federal PL 101-380, sec. 8102(a)(B)(I) – The federal government has rebated the pro rata share of the federal TAPS (Trans-Alaska Pipeline Liability Fund) to the State of Alaska for its contributions as an owner of oil. The funds are to be used for the remediation of above-ground storage tanks.
- **Training and Building Fund (Fund 12121)** – AS 23.20.130(d) – Administered by the Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available and for the acquisition of land and buildings for the purpose of providing office space for the department.
- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 11116)** – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Safety and Compensation Administration Account (Fund 11173)** – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the state for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.

STATE OF ALASKA  
Combining Balance Sheet  
General Fund  
June 30, 2005  
(Stated in Thousands)

STATEMENT 3.11

|  | General Fund                                |                                       |                                |
|--|---|---------------------------------------|--------------------------------|
|  | Constitutional<br>Budget Reserve<br>Subfund | Permanent<br>Fund Dividend<br>Subfund | Public<br>Education<br>Subfund |
| <b>ASSETS</b>                              |   |                                       |                                |
| Cash and Investments                       | \$ 2,184,137                                | \$ 10,951                             | \$ 416,838                     |
| Accounts Receivable - Net                  |   | 20                                    |                                |
| Interest and Dividends Receivable          | 977   | 30                                    |                                |
| Due from Other Funds                       | 5,247,636                                   | 532,132                               |                                |
| Due from Component Units                   |   |                                       |                                |
| Due from Other Governments                 |   | 483                                   |                                |
| Loans, Notes, and Bonds Receivable         |   |                                       |                                |
| Inventories                                |   |                                       |                                |
| Securities Lending Collateral              | 78,128                                      |                                       |                                |
| Other Assets                               |   | 2                                     |                                |
| <b>Total Assets</b>                        | <b>\$ 7,510,878</b>                         | <b>\$ 543,618</b>                     | <b>\$ 416,838</b>              |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |                                       |                                |
| Liabilities:                               |   |                                       |                                |
| Accounts Payable and Accrued Liabilities   | \$ 12                                       | \$ 3,839                              | \$                             |
| Obligations Under Securities Lending       | 78,128                                      |                                       |                                |
| Due to Other Funds                         | 34,923                                      | 629                                   |                                |
| Due to Component Units                     |   |                                       |                                |
| Due to Other Governments                   |   |                                       |                                |
| Unearned and Deferred Revenue              |   | 9                                     |                                |
| Other Liabilities                          |   | 5                                     |                                |
| <b>Total Liabilities</b>                   | <b>113,063</b>                              | <b>4,482</b>                          | <b>0</b>                       |
| Fund Balances:                             |   |                                       |                                |
| Reserved:                                  |   |                                       |                                |
| Encumbrances                               |   | 412                                   |                                |
| Nonliquid Assets                           | 5,162,122                                   |                                       |                                |
| Other Purposes                             |   |                                       |                                |
| Unreserved:                                |   |                                       |                                |
| Designated for Continuing Appropriations   |   | 178                                   |                                |
| Designated for Other                       |   | 538,546                               | 416,838                        |
| Undesignated                               | 2,235,693                                   |                                       |                                |
| <b>Total Fund Balances</b>                 | <b>7,397,815</b>                            | <b>539,136</b>                        | <b>416,838</b>                 |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 7,510,878</b>                         | <b>\$ 543,618</b>                     | <b>\$ 416,838</b>              |



STATEMENT 3.11

| General<br>and all Other<br>Subfunds | Eliminations<br>of Internal<br>Balances | Total<br>General<br>Fund |
|--------------------------------------|---|--------------------------|
| \$ 872,377                           | \$                                      | \$ 3,484,303             |
| 240,448                              |   | 240,468                  |
| 3,369                                |   | 4,376                    |
| 117,019                              | (5,283,231)                             | 613,556                  |
| 7,142                                |   | 7,142                    |
| 356,838                              |   | 357,321                  |
| 14,995                               |   | 14,995                   |
| 11,240                               |   | 11,240                   |
| 12,550                               |   | 90,678                   |
| 18,718                               |   | 18,720                   |
| <u>\$ 1,654,696</u>                  | <u>\$ (5,283,231)</u>                   | <u>\$ 4,842,799</u>      |
| \$ 452,390                           | \$                                      | \$ 456,241               |
| 12,550                               |   | 90,678                   |
| 5,270,232                            | (5,283,231)                             | 22,553                   |
| 104                                  |   | 104                      |
| 7,310                                |   | 7,310                    |
| 195,231                              |   | 195,240                  |
| 933                                  |   | 938                      |
| <u>5,938,750</u>                     | <u>(5,283,231)</u>                      | <u>773,064</u>           |
| 157,155                              |   | 157,567                  |
| 28,816                               |   | 5,190,938                |
| 18,841                               |   | 18,841                   |
| 325,846                              |   | 326,024                  |
| 347,410                              |   | 1,302,794                |
| (5,162,122)                          |   | (2,926,429)              |
| (4,284,054)                          | 0                                       | 4,069,735                |
| <u>\$ 1,654,696</u>                  | <u>\$ (5,283,231)</u>                   | <u>\$ 4,842,799</u>      |

STATE OF ALASKA  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
General Fund  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 3.12

|                                       | General Fund                                |                                       |                                |
|---------------------------------------|---|---------------------------------------|--------------------------------|
|                                       | Constitutional<br>Budget Reserve<br>Subfund | Permanent<br>Fund Dividend<br>Subfund | Public<br>Education<br>Subfund |
| <b>REVENUES</b>                       |   |                                       |                                |
| Taxes                                 | \$ 17,449                                   | \$                                    | \$                             |
| Licenses and Permits                  |   |                                       |                                |
| Charges for Services                  |   | 274                                   |                                |
| Fines and Forfeitures                 | 682   | 32                                    |                                |
| Rents and Royalties                   |   |                                       |                                |
| Premiums and Contributions            |   |                                       |                                |
| Interest and Investment Income        | 112,018                                     |                                       |                                |
| Federal Grants in Aid                 |   | 4,003                                 |                                |
| Payments In from Component Units      |   |                                       |                                |
| Other Revenues                        |   | 21                                    |                                |
| Total Revenues                        | <u>130,149</u>                              | <u>4,330</u>                          | <u>0</u>                       |
| <b>EXPENDITURES</b>                   |   |                                       |                                |
| Current:                              |   |                                       |                                |
| General Government                    | 5,498                                       | 5,362                                 |                                |
| Alaska Permanent Fund Dividend        |   | 552,232                               |                                |
| Education                             |   |                                       |                                |
| University                            |   |                                       |                                |
| Health and Human Services             |   | 12,292                                |                                |
| Law and Justice                       |   | 1,279                                 |                                |
| Public Protection                     |   | 12,579                                |                                |
| Natural Resources                     |   |                                       |                                |
| Development                           |   |                                       |                                |
| Transportation                        |   |                                       |                                |
| Intergovernmental Revenue Sharing     |   |                                       |                                |
| Debt Service:                         |   |                                       |                                |
| Principal                             |   |                                       |                                |
| Interest and Other Charges            |   |                                       |                                |
| Total Expenditures                    | <u>5,498</u>                                | <u>583,744</u>                        | <u>0</u>                       |
| Excess (Deficiency) of Revenues       |   |                                       |                                |
| Over Expenditures                     | <u>124,651</u>                              | <u>(579,414)</u>                      | <u>0</u>                       |
| <b>OTHER FINANCING SOURCES (USES)</b> |   |                                       |                                |
| Refunding Bonds Issued                |   |                                       |                                |
| Refunding Bond Issue Premium          |   |                                       |                                |
| Payment to Refunded Bond Escrow Agent |   |                                       |                                |
| Capital Leases                        |   |                                       |                                |
| Transfers In from Other Funds         | 126   | 532,132                               | 416,838                        |
| Transfers (Out to) Other Funds        |   |                                       |                                |
| Total Other Financing Sources         | <u>126</u>                                  | <u>532,132</u>                        | <u>416,838</u>                 |
| and Uses                              |   |                                       |                                |
| Net Change in Fund Balances           | <u>124,777</u>                              | <u>(47,282)</u>                       | <u>416,838</u>                 |
| Fund Balances - Beginning of Year     | 7,273,038                                   | 586,418                               | 0                              |
| Prior Period Adjustment               |   |                                       |                                |
| Fund Balances - End of Year           | <u>\$ 7,397,815</u>                         | <u>\$ 539,136</u>                     | <u>\$ 416,838</u>              |

STATEMENT 3.12

| General<br>and all Other<br>Subfunds | Eliminations<br>of Internal<br>Balances | Total<br>General<br>Fund |
|--------------------------------------|---|--------------------------|
| \$ 1,717,066                         | \$                                      | \$ 1,734,515             |
| 95,946                               |   | 95,946                   |
| 152,329                              |   | 152,603                  |
| 10,212                               |   | 10,926                   |
| 1,435,932                            |   | 1,435,932                |
| 10,605                               |   | 10,605                   |
| 35,358                               |   | 147,376                  |
| 1,920,924                            |   | 1,924,927                |
| 121,312                              |   | 121,312                  |
| 13,464                               |   | 13,485                   |
| 5,513,148                            | 0                                       | 5,647,627                |
| 200,933                              |   | 211,793                  |
|                                      |   | 552,232                  |
| 1,027,453                            |   | 1,027,453                |
| 237,021                              |   | 237,021                  |
| 1,731,098                            |   | 1,743,390                |
| 138,448                              |   | 139,727                  |
| 512,353                              |   | 524,932                  |
| 174,306                              |   | 174,306                  |
| 120,134                              |   | 120,134                  |
| 741,726                              |   | 741,726                  |
| 43,081                               |   | 43,081                   |
| 10,295                               |   | 10,295                   |
| 3,567                                |   | 3,567                    |
| 4,940,415                            | 0                                       | 5,529,657                |
| 572,733                              | 0                                       | 117,970                  |
| 25,725                               |   | 25,725                   |
| 1,251                                |   | 1,251                    |
| (26,858)                             |   | (26,858)                 |
| 10,751                               |   | 10,751                   |
| 40,971                               | (416,964)                               | 573,103                  |
| (471,102)                            | 416,964                                 | (54,138)                 |
| (419,262)                            | 0                                       | 529,834                  |
| 153,471                              | 0                                       | 647,804                  |
| (4,419,593)                          |   | 3,439,863                |
| (17,932)                             |   | (17,932)                 |
| \$ (4,284,054)                       | \$ 0                                    | \$ 4,069,735             |



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# Permanent Funds

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- Statement 1.11 and Statement 1.13 contain the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the Alaska Permanent Fund.
- Statement 3.01 and Statement 3.02 contain the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the Public School Trust Fund.



## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## Permanent Funds

For the Fiscal Year Ended June 30, 2005

(Stated in Thousands)

|  | Public School Trust |                   |                      |
|--|---------------------|-------------------|----------------------|
|  | Budget              | Actual            | Variance with Budget |
| <b>REVENUES</b>  |                     |                   |                      |
| Unrestricted:  |                     |                   |                      |
| Fines and Forfeitures  | \$ 1                | \$ 1              | \$ 0                 |
| Rents and Royalties  | 9,590               | 9,590             | 0                    |
| Interest and Investment Income   | 22,033              | 22,033            | 0                    |
| Total Revenues   | <u>31,624</u>       | <u>31,624</u>     | <u>0</u>             |
| <b>EXPENDITURES</b>  |                     |                   |                      |
| Current:   |                     |                   |                      |
| General Government   | 188                 | 185               | 3                    |
| Education  | 11,947              | 11,947            | 0                    |
| Law and Justice  | 49                  | 49                | 0                    |
| Natural Resources  | 583                 | 43                | 540                  |
| Development  |                     |                   | 0                    |
| Total Expenditures   | <u>12,767</u>       | <u>12,224</u>     | <u>543</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | <u>18,857</u>       | <u>19,400</u>     | <u>(543)</u>         |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                     |                   |                      |
| Transfers (Out to) Other Funds   |                     |                   | 0                    |
| Total Other Financing Sources<br>and Uses  | <u>0</u>            | <u>0</u>          | <u>0</u>             |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>Budgetary Basis | <u>\$ 18,857</u>    | 19,400            | <u>\$ (543)</u>      |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |                     |                   |                      |
| Adjust Expenditures for Encumbrances   |                     | <u>43</u>         |                      |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>GAAP Basis      |                     | 19,443            |                      |
| Fund Balances - Beginning of Year  |                     | 299,152           |                      |
| Fund Balances - End of Year  |                     | <u>\$ 318,595</u> |                      |

STATEMENT 3.23

| Alaska Permanent    |                      |                      | Total Permanent Funds |                      |                      |
|---------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| Budget              | Actual               | Variance with Budget | Budget                | Actual               | Variance with Budget |
| \$ 480,498          | \$ 480,498           | \$ 0                 | \$ 490,088            | \$ 490,088           | \$ 0                 |
| 2,694,768           | 2,694,768            | 0                    | 2,716,801             | 2,716,801            | 0                    |
| <u>3,175,266</u>    | <u>3,175,266</u>     | <u>0</u>             | <u>3,206,890</u>      | <u>3,206,890</u>     | <u>0</u>             |
| 50,007              | 47,802               | 2,205                | 50,195                | 47,987               | 2,208                |
|                     |                      | 0                    | 11,947                | 11,947               | 0                    |
| 1,477               | 1,477                | 0                    | 1,526                 | 1,526                | 0                    |
| 4,977               | 4,977                | 0                    | 5,560                 | 5,020                | 540                  |
| 300                 | 300                  | 0                    | 300                   | 300                  | 0                    |
| <u>56,761</u>       | <u>54,556</u>        | <u>2,205</u>         | <u>69,528</u>         | <u>66,780</u>        | <u>2,748</u>         |
| <u>3,118,505</u>    | <u>3,120,710</u>     | <u>(2,205)</u>       | <u>3,137,362</u>      | <u>3,140,110</u>     | <u>(2,748)</u>       |
| (558,882)           | (558,882)            | 0                    | (558,882)             | (558,882)            | 0                    |
| (558,882)           | (558,882)            | 0                    | (558,882)             | (558,882)            | 0                    |
| <u>\$ 2,559,623</u> | <u>2,561,828</u>     | <u>\$ (2,205)</u>    | <u>\$ 2,578,480</u>   | <u>2,581,228</u>     | <u>\$ (2,748)</u>    |
|                     |                      |                      |                       | 43                   |                      |
|                     | 2,561,828            |                      |                       | 2,581,271            |                      |
|                     | 27,399,840           |                      |                       | 27,698,992           |                      |
|                     | <u>\$ 29,961,668</u> |                      |                       | <u>\$ 30,280,263</u> |                      |



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# Nonmajor Special Revenue Funds

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Special revenue funds account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The following are the state's special revenue funds.

- **Alyeska Settlement Trust Fund (Fund 12138)** – Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company – Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.
- **Clean Air Protection Fund (Fund 12133)** – AS 46.14.260 and Federal Clean Air Act – Administered by Department of Environmental Conservation. The fund is established to collect and account for permit fees under the federal clean air act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- **Exxon Valdez Oil Spill Restoration Fund (Fund 12136)** – U.S. District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in \$50 million restitution being received by the state to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.
- **Exxon Valdez Settlement Trust Fund (Fund 33070)** – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish and Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the state for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.
- **Fish and Game Fund (Fund 12122)** – AS 16.05.100 – Administered by Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game purposes; and donations. In addition to the statutory revenues, federal revenues, crewmember license fees, and other sources are appropriated to the fund for purposes related to fish and wildlife.
- **Fishermen's Fund (Fund 11119)** – AS 23.35.060 – Administered by Department of Labor and Workforce Development. This fund is composed of 39 percent of the money derived by the state from all commercial fishermen's licenses and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of injured or disabled commercial fishermen.

- **National Petroleum Reserve Fund (Fund 12131)** – AS 37.05.530 – Administered by Department of Commerce, Community, and Economic Development. This fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 since December 12, 1980, less the amount deposited in the general fund and expended by the State by general fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- **Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 21664)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Reclamation Bonding Pool Fund (Fund 12132)** – AS 27.19.040 – Administered by Department of Natural Resources. The fund is a statewide bonding pool for mining operations as an alternative to individual financial assurance. A miner participating in the bonding pool contributes a nonrefundable annual fee and an initial deposit that is refunded upon satisfactory completion of the approved reclamation plan. If a miner violates the reclamation plan, the financial assurance is forfeited and deposited in the fund. Income and other earnings on the bonding pool are also added to the fund. The reclamation and administrative costs and forfeited financial assurances are used for reclamation of the mining sites subject to forfeiture.
- **School Fund (Fund 12123)** – AS 43.50.140 – Administered by Department of Revenue and Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the state's school facilities, and for costs of insurance on buildings comprising school facilities.
- **Second Injury Fund (Fund 11117)** – AS 23.30.040 – Administered by Department of Labor and Workforce Development. The fund consists of contributions from employers collected under AS 23.30.040(b) and (c), and civil penalties collected under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under AS 23.30.





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STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 3.31

|  | Second<br>Injury | Fishermen's      | Fish and<br>Game | School          | National<br>Petroleum<br>Reserve |
|--|------------------|------------------|------------------|-----------------|----------------------------------|
| <b>ASSETS</b>                              |                  |                  |                  |                 |                                  |
| Cash and Investments                       | \$ 4,463         | \$ 11,801        | \$ 8,733         | \$ 6,341        | \$ 58,965                        |
| Accounts Receivable - Net                  |                  |                  | 16               | 3,011           |                                  |
| Due from Other Funds                       |                  | 274              |                  |                 |                                  |
| Due from Other Governments                 |                  |                  | 5,499            |                 |                                  |
| Securities Lending Collateral              |                  |                  | 67               |                 |                                  |
| Other Assets                               |                  |                  | 26               |                 |                                  |
| <b>Total Assets</b>                        | <u>\$ 4,463</u>  | <u>\$ 12,075</u> | <u>\$ 14,341</u> | <u>\$ 9,352</u> | <u>\$ 58,965</u>                 |
| <b>LIABILITIES AND FUND BALANCES</b>       |                  |                  |                  |                 |                                  |
| Liabilities:                               |                  |                  |                  |                 |                                  |
| Accounts Payable and Accrued Liabilities   | \$ 692           | \$ 29            | \$ 1,662         | \$ 5,721        | \$ 644                           |
| Obligations Under Securities Lending       |                  |                  | 67               |                 |                                  |
| Due to Other Funds                         | 48               |                  | 2,198            |                 |                                  |
| Due to Component Units                     |                  |                  |                  |                 |                                  |
| Unearned and Deferred Revenue              |                  |                  | 20               |                 |                                  |
| Other Liabilities                          |                  |                  |                  |                 |                                  |
| <b>Total Liabilities</b>                   | <u>740</u>       | <u>29</u>        | <u>3,947</u>     | <u>5,721</u>    | <u>644</u>                       |
| Fund Balances:                             |                  |                  |                  |                 |                                  |
| Reserved:                                  |                  |                  |                  |                 |                                  |
| Encumbrances                               | 1                | 7                | 791              |                 | 26,727                           |
| Unreserved:                                |                  |                  |                  |                 |                                  |
| Designated for Continuing Appropriations   |                  |                  | 2,002            |                 |                                  |
| Designated for Other                       |                  |                  |                  |                 |                                  |
| Undesignated                               | 3,722            | 12,039           | 7,601            | 3,631           | 31,594                           |
| <b>Total Fund Balances</b>                 | <u>3,723</u>     | <u>12,046</u>    | <u>10,394</u>    | <u>3,631</u>    | <u>58,321</u>                    |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 4,463</u>  | <u>\$ 12,075</u> | <u>\$ 14,341</u> | <u>\$ 9,352</u> | <u>\$ 58,965</u>                 |

STATEMENT 3.31

| Reclamation<br>Bonding Pool | Clean Air<br>Protection | Exxon Valdez<br>Oil Spill<br>Restoration | Alyeska<br>Settlement<br>Trust | Exxon Valdez<br>Settlement<br>Trust | Northern<br>Tobacco<br>Securitization<br>Corporation | Total Nonmajor<br>Special<br>Revenue<br>Funds |
|-----------------------------|-------------------------|--|--------------------------------|-------------------------------------|--|---|
| \$ 1,145                    | \$ 807                  | \$ 3,510                                 | \$ 6,840                       | \$ 4,946                            | \$ 185   | \$ 107,736                                    |
|                             | 52                      | 1  |                                |                                     |  | 3,027   |
|                             |                         |  |                                | 330                                 |  | 327   |
| 9                           |                         | 29                                       | 57                             | 41                                  |  | 5,829   |
|                             | 2                       |  |                                |                                     |  | 203   |
| \$ 1,154                    | \$ 861                  | \$ 3,540                                 | \$ 6,897                       | \$ 5,317                            | \$ 185   | \$ 117,150                                    |
|                             |                         |  |                                |                                     |  |   |
| \$ 9                        | \$ 15                   | \$ 17                                    | \$ 57                          | \$ 466                              | \$   | \$ 9,246                                      |
|                             |                         | 29                                       |                                | 41                                  |  | 203   |
|                             |                         |  |                                | 186                                 |  | 2,432   |
|                             |                         |  |                                |                                     | 5  | 5   |
|                             |                         |  |                                |                                     |  | 20  |
| 320                         |                         |  |                                |                                     |  | 320   |
| 329                         | 15                      | 46                                       | 57                             | 693                                 | 5  | 12,226  |
|                             |                         |  |                                |                                     |  |   |
|                             | 29                      | 342                                      | 200                            | 836                                 |  | 28,933  |
|                             |                         |  |                                |                                     |  |   |
|                             |                         | 2,719                                    | 5,285                          | 2,257                               |  | 12,263  |
|                             |                         |  |                                |                                     | 180  | 180   |
| 825                         | 817                     | 433                                      | 1,355                          | 1,531                               |  | 63,548  |
| 825                         | 846                     | 3,494                                    | 6,840                          | 4,624                               | 180  | 104,924                                       |
| \$ 1,154                    | \$ 861                  | \$ 3,540                                 | \$ 6,897                       | \$ 5,317                            | \$ 185   | \$ 117,150                                    |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

(Stated in Thousands)

|  | Second<br>Injury | Fishermen's      | Fish and<br>Game | School          | National<br>Petroleum<br>Reserve |
|--|------------------|------------------|------------------|-----------------|----------------------------------|
| <b>REVENUES</b>                                      |                  |                  |                  |                 |                                  |
| Taxes  | \$               | \$               | \$               | \$ 29,950       | \$                               |
| Licenses and Permits                                 |                  | 1,032            | 22,976           |                 |                                  |
| Charges for Services                                 |                  |                  | 357              |                 |                                  |
| Fines and Forfeitures                                | 49               |                  | 54               |                 |                                  |
| Rents and Royalties                                  |                  |                  |                  |                 | 31,595                           |
| Premiums and Contributions                           | 3,878            |                  |                  |                 |                                  |
| Interest and Investment Income                       |                  |                  | 316              |                 |                                  |
| Federal Grants in Aid                                |                  |                  | 26,172           |                 |                                  |
| Other Revenues                                       |                  | 2                | 63               |                 |                                  |
| Total Revenues                                       | <u>3,927</u>     | <u>1,034</u>     | <u>49,938</u>    | <u>29,950</u>   | <u>31,595</u>                    |
| <b>EXPENDITURES</b>                                  |                  |                  |                  |                 |                                  |
| Current:   |                  |                  |                  |                 |                                  |
| General Government                                   |                  |                  | 1,334            |                 | 277                              |
| Education  |                  |                  |                  | 32,732          | 209                              |
| Health and Human Services                            | 3,891            | 901              |                  |                 |                                  |
| Law and Justice                                      |                  |                  | 120              |                 |                                  |
| Public Protection                                    |                  |                  | 923              |                 |                                  |
| Natural Resources                                    |                  |                  | 49,243           |                 |                                  |
| Development  |                  |                  |                  |                 | 7,823                            |
| Transportation                                       |                  |                  |                  |                 |                                  |
| Total Expenditures                                   | <u>3,891</u>     | <u>901</u>       | <u>51,620</u>    | <u>32,732</u>   | <u>8,309</u>                     |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>36</u>        | <u>133</u>       | <u>(1,682)</u>   | <u>(2,782)</u>  | <u>23,286</u>                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                  |                  |                 |                                  |
| Transfers In from Other Funds                        |                  |                  | 2,687            |                 |                                  |
| Total Other Financing Sources<br>and Uses            | <u>0</u>         | <u>0</u>         | <u>2,687</u>     | <u>0</u>        | <u>0</u>                         |
| Net Change in Fund Balances                          | <u>36</u>        | <u>133</u>       | <u>1,005</u>     | <u>(2,782)</u>  | <u>23,286</u>                    |
| Fund Balances - Beginning of Year                    | <u>3,687</u>     | <u>11,913</u>    | <u>9,389</u>     | <u>6,413</u>    | <u>35,035</u>                    |
| Fund Balances - End of Year                          | <u>\$ 3,723</u>  | <u>\$ 12,046</u> | <u>\$ 10,394</u> | <u>\$ 3,631</u> | <u>\$ 58,321</u>                 |

STATEMENT 3.32

| <u>Reclamation<br/>Bonding Pool</u> | <u>Clean Air<br/>Protection</u> | <u>Exxon Valdez<br/>Oil Spill<br/>Restoration</u> | <u>Alyeska<br/>Settlement<br/>Trust</u> | <u>Exxon Valdez<br/>Settlement<br/>Trust</u> | <u>Northern<br/>Tobacco<br/>Securitization<br/>Corporation</u> | <u>Total Nonmajor<br/>Special<br/>Revenue<br/>Funds</u> |
|-------------------------------------|---------------------------------|---|---|--|--|---|
| \$                                  | \$                              | \$  | \$                                      | \$   | \$   | \$ 29,950   |
| 32                                  | 2,934                           |   |   |  |  | 26,942  |
|                                     |                                 |   |   |  |  | 389   |
|                                     |                                 |   |   |  |  | 103   |
|                                     |                                 |   |   |  |  | 31,595  |
|                                     |                                 |   |   | 2,670  |  | 6,548   |
| 34                                  |                                 | 110   | 206                                     | 198  |  | 864   |
|                                     |                                 |   |   | 822  |  | 26,994  |
|                                     |                                 |   |   |  |  | 65  |
| <u>66</u>                           | <u>2,934</u>                    | <u>110</u>  | <u>206</u>                              | <u>3,690</u>                                 | <u>0</u>   | <u>123,450</u>  |
|                                     |                                 |   |   |  |  |   |
|                                     | 93                              |   |   |  | 112  | 1,816   |
|                                     |                                 |   |   |  |  | 32,941  |
|                                     | 11                              | 10  |   | 548  |  | 5,361   |
|                                     |                                 | 27  |   | 490  |  | 637   |
|                                     |                                 |   |   |  |  | 923   |
| 2                                   | 2,545                           | 245   |   | 4,828  |  | 56,863  |
|                                     |                                 |   |   |  |  | 7,823   |
|                                     |                                 |   | 13                                      |  |  | 13  |
| <u>2</u>                            | <u>2,649</u>                    | <u>282</u>  | <u>13</u>                               | <u>5,866</u>                                 | <u>112</u>   | <u>106,377</u>  |
|                                     |                                 |   |   |  |  |   |
| 64                                  | 285                             | (172)   | 193                                     | (2,176)                                      | (112)  | 17,073  |
|                                     |                                 |   |   |  |  |   |
|                                     |                                 |   |   |  |  | 2,687   |
|                                     |                                 |   |   |  |  |   |
| 0                                   | 0                               | 0   | 0                                       | 0  | 0  | 2,687   |
| 64                                  | 285                             | (172)   | 193                                     | (2,176)                                      | (112)  | 19,760  |
| 761                                 | 561                             | 3,666   | 6,647                                   | 6,800  | 292  | 85,164  |
| <u>\$ 825</u>                       | <u>\$ 846</u>                   | <u>\$ 3,494</u>                                   | <u>\$ 6,840</u>                         | <u>\$ 4,624</u>                              | <u>\$ 180</u>  | <u>\$ 104,924</u>                                       |

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

(Stated in Thousands)

|  | Second Injury |          | Variance with<br>Budget |
|--|---------------|----------|-------------------------|
|  | Budget        | Actual   |                         |
| <b>REVENUES</b>  |               |          |                         |
| Unrestricted:  |               |          |                         |
| Taxes  | \$            | \$       | \$                      |
| Licenses and Permits   |               |          |                         |
| Charges for Services   |               |          |                         |
| Fines and Forfeitures  | 49            | 49       | 0                       |
| Rents and Royalties  |               |          |                         |
| Premiums and Contributions   | 3,878         | 3,878    | 0                       |
| Interest and Investment Income   |               |          |                         |
| Other Revenues   |               |          |                         |
| Restricted:  |               |          |                         |
| Federal Grants in Aid  |               |          |                         |
| Interagency  |               |          |                         |
| Total Revenues   | 3,927         | 3,927    | 0                       |
| <b>EXPENDITURES</b>  |               |          |                         |
| Current:   |               |          |                         |
| General Government   |               |          |                         |
| Education  |               |          |                         |
| Health and Human Services  | 4,022         | 3,892    | 130                     |
| Law and Justice  |               |          |                         |
| Public Protection  |               |          |                         |
| Natural Resources  |               |          |                         |
| Development  |               |          |                         |
| Transportation   |               |          |                         |
| Total Expenditures   | 4,022         | 3,892    | 130                     |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | (95)          | 35       | (130)                   |
| <b>OTHER FINANCING SOURCES (USES)</b>  |               |          |                         |
| Transfers In from Other Funds  |               |          |                         |
| Total Other Financing Sources<br>and Uses  | 0             | 0        | 0                       |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>Budgetary Basis | \$ (95)       | 35       | \$ (130)                |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |               |          |                         |
| Adjust Expenditures for Encumbrances   |               | 1        |                         |
| Funds Not Annually Budgeted  |               |          |                         |
| Basis Difference   |               |          |                         |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>GAAP Basis      |               | 36       |                         |
| Fund Balances - Beginning of Year  |               | 3,687    |                         |
| Fund Balances - End of Year  |               | \$ 3,723 |                         |



STATEMENT 3.33

| Fishermen's  |                  |                      | Fish and Game |                  |                      |
|--------------|------------------|----------------------|---------------|------------------|----------------------|
| Budget       | Actual           | Variance with Budget | Budget        | Actual           | Variance with Budget |
| \$ 1,032     | \$ 1,032         | \$ 0                 | \$ 22,976     | \$ 22,976        | \$ 0                 |
|              |                  |                      | 398           | 357              | 41                   |
|              |                  |                      | 54            | 54               | 0                    |
|              |                  |                      | 296           | 296              | 0                    |
| 2            | 2                | 0                    | 27,143        | 63               | 27,080               |
|              |                  |                      | 29,739        | 26,172           | 3,567                |
|              |                  |                      | 945           | 47               | 898                  |
| <u>1,034</u> | <u>1,034</u>     | <u>0</u>             | <u>81,551</u> | <u>49,965</u>    | <u>31,586</u>        |
|              |                  |                      | 1,314         | 1,314            | 0                    |
| 1,330        | 907              | 423                  | 120           | 120              | 0                    |
|              |                  |                      | 923           | 923              | 0                    |
|              |                  |                      | 65,046        | 52,137           | 12,909               |
| <u>1,330</u> | <u>907</u>       | <u>423</u>           | <u>67,403</u> | <u>54,494</u>    | <u>12,909</u>        |
| (296)        | 127              | (423)                | 14,148        | (4,529)          | 18,677               |
|              |                  |                      | 2,687         | 2,687            | 0                    |
| 0            | 0                | 0                    | 2,687         | 2,687            | 0                    |
| \$ (296)     | 127              | \$ (423)             | \$ 16,835     | (1,842)          | \$ 18,677            |
|              | 6                |                      |               | 2,847            |                      |
|              | 133              |                      |               | 1,005            |                      |
|              | 11,913           |                      |               | 9,389            |                      |
|              | <u>\$ 12,046</u> |                      |               | <u>\$ 10,394</u> |                      |

This statement continued on the next page.

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

(Stated in Thousands)

|  | School            |                 | Variance with<br>Budget |
|--|-------------------|-----------------|-------------------------|
|  | Budget            | Actual          |                         |
| <b>REVENUES</b>  |                   |                 |                         |
| Unrestricted:  |                   |                 |                         |
| Taxes  | \$ 29,770         | \$ 29,770       | \$ 0                    |
| Licenses and Permits   |                   |                 |                         |
| Charges for Services   |                   |                 |                         |
| Fines and Forfeitures  |                   |                 |                         |
| Rents and Royalties  |                   |                 |                         |
| Premiums and Contributions   |                   |                 |                         |
| Interest and Investment Income   |                   |                 |                         |
| Other Revenues   |                   |                 |                         |
| Restricted:  |                   |                 |                         |
| Federal Grants in Aid  |                   |                 |                         |
| Interagency  |                   |                 |                         |
| Total Revenues   | <u>29,770</u>     | <u>29,770</u>   | <u>0</u>                |
| <b>EXPENDITURES</b>  |                   |                 |                         |
| Current:   |                   |                 |                         |
| General Government   |                   |                 |                         |
| Education  | 32,582            | 32,582          | 0                       |
| Health and Human Services  |                   |                 |                         |
| Law and Justice  |                   |                 |                         |
| Public Protection  |                   |                 |                         |
| Natural Resources  |                   |                 |                         |
| Development  |                   |                 |                         |
| Transportation   |                   |                 |                         |
| Total Expenditures   | <u>32,582</u>     | <u>32,582</u>   | <u>0</u>                |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | <u>(2,812)</u>    | <u>(2,812)</u>  | <u>0</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                   |                 |                         |
| Transfers In from Other Funds  |                   |                 |                         |
| Total Other Financing Sources<br>and Uses  | <u>0</u>          | <u>0</u>        | <u>0</u>                |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>Budgetary Basis | <u>\$ (2,812)</u> | <u>(2,812)</u>  | <u>\$ 0</u>             |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |                   |                 |                         |
| Adjust Expenditures for Encumbrances   |                   | (150)           |                         |
| Funds Not Annually Budgeted  |                   |                 |                         |
| Basis Difference   |                   | <u>180</u>      |                         |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>GAAP Basis      |                   | <u>(2,782)</u>  |                         |
| Fund Balances - Beginning of Year  |                   | 6,413           |                         |
| Fund Balances - End of Year  |                   | <u>\$ 3,631</u> |                         |

STATEMENT 3.33

| National Petroleum Reserve |                  |                      | Clean Air Protection |               |                      |
|----------------------------|------------------|----------------------|----------------------|---------------|----------------------|
| Budget                     | Actual           | Variance with Budget | Budget               | Actual        | Variance with Budget |
| \$                         | \$               | \$                   | \$                   | \$            | \$                   |
|                            |                  |                      | 2,934                | 2,934         | 0                    |
| 31,595                     | 31,595           | 0                    |                      |               |                      |
| <u>31,595</u>              | <u>31,595</u>    | <u>0</u>             | <u>2,934</u>         | <u>2,934</u>  | <u>0</u>             |
| 500                        | 500              | 0                    | 93                   | 93            | 0                    |
| 830                        | 830              | 0                    | 11                   | 11            | 0                    |
|                            |                  |                      | 3,880                | 2,574         | 1,306                |
| 33,705                     | 33,705           | 0                    |                      |               |                      |
| <u>35,035</u>              | <u>35,035</u>    | <u>0</u>             | <u>3,984</u>         | <u>2,678</u>  | <u>1,306</u>         |
| <u>(3,440)</u>             | <u>(3,440)</u>   | <u>0</u>             | <u>(1,050)</u>       | <u>256</u>    | <u>(1,306)</u>       |
| <u>0</u>                   | <u>0</u>         | <u>0</u>             | <u>0</u>             | <u>0</u>      | <u>0</u>             |
| \$ <u>(3,440)</u>          | <u>(3,440)</u>   | \$ <u>0</u>          | \$ <u>(1,050)</u>    | 256           | \$ <u>(1,306)</u>    |
|                            | 26,726           |                      |                      | 29            |                      |
|                            | 23,286           |                      |                      | 285           |                      |
|                            | <u>35,035</u>    |                      |                      | <u>561</u>    |                      |
|                            | <u>\$ 58,321</u> |                      |                      | <u>\$ 846</u> |                      |

This statement continued on the next page.

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

(Stated in Thousands)

|  | Exxon Valdez Oil Spill Restoration |          |                      |
|--|------------------------------------|----------|----------------------|
|  | Budget                             | Actual   | Variance with Budget |
| <b>REVENUES</b>  |                                    |          |                      |
| Unrestricted:  |                                    |          |                      |
| Taxes  | \$                                 | \$       | \$                   |
| Licenses and Permits   |                                    |          |                      |
| Charges for Services   |                                    |          |                      |
| Fines and Forfeitures  |                                    |          |                      |
| Rents and Royalties  |                                    |          |                      |
| Premiums and Contributions   |                                    |          |                      |
| Interest and Investment Income   | 103                                | 103      | 0                    |
| Other Revenues   |                                    |          |                      |
| Restricted:  |                                    |          |                      |
| Federal Grants in Aid  |                                    |          |                      |
| Interagency  |                                    |          |                      |
| Total Revenues   | 103                                | 103      | 0                    |
| <b>EXPENDITURES</b>  |                                    |          |                      |
| Current:   |                                    |          |                      |
| General Government   |                                    |          |                      |
| Education  |                                    |          |                      |
| Health and Human Services  | 73                                 | 73       | 0                    |
| Law and Justice  | 82                                 | 26       | 56                   |
| Public Protection  |                                    |          |                      |
| Natural Resources  | 249                                | 239      | 10                   |
| Development  | 280                                | 280      | 0                    |
| Transportation   | 2,653                              |          | 2,653                |
| Total Expenditures   | 3,337                              | 618      | 2,719                |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | (3,234)                            | (515)    | (2,719)              |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                    |          |                      |
| Transfers In from Other Funds  |                                    |          |                      |
| Total Other Financing Sources<br>and Uses  | 0                                  | 0        | 0                    |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>Budgetary Basis | \$ (3,234)                         | (515)    | \$ (2,719)           |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |                                    |          |                      |
| Adjust Expenditures for Encumbrances   |                                    | 343      |                      |
| Funds Not Annually Budgeted  |                                    |          |                      |
| Basis Difference   |                                    |          |                      |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>GAAP Basis      |                                    | (172)    |                      |
| Fund Balances - Beginning of Year  |                                    | 3,666    |                      |
| Fund Balances - End of Year  |                                    | \$ 3,494 |                      |

STATEMENT 3.33

| Alyeska Settlement Trust |                 |                      | Exxon Valdez Settlement Trust |                 |                      |
|--------------------------|-----------------|----------------------|-------------------------------|-----------------|----------------------|
| Budget                   | Actual          | Variance with Budget | Budget                        | Actual          | Variance with Budget |
| \$                       | \$              | \$                   | \$                            | \$              | \$                   |
|                          |                 |                      | 2,670                         | 2,670           | 0                    |
| 193                      | 193             | 0                    | 185                           | 185             | 0                    |
|                          |                 |                      | 822                           | 822             | 0                    |
| <u>193</u>               | <u>193</u>      | <u>0</u>             | <u>3,677</u>                  | <u>3,677</u>    | <u>0</u>             |
|                          |                 |                      | 1,835                         | 548             | 1,287                |
|                          |                 |                      | 1,383                         | 490             | 893                  |
|                          |                 |                      | 9,061                         | 5,843           | 3,218                |
| <u>5,485</u>             | <u>200</u>      | <u>5,285</u>         | <u>12,279</u>                 | <u>6,881</u>    | <u>5,398</u>         |
| 5,485                    | 200             | 5,285                | 12,279                        | 6,881           | 5,398                |
| <u>(5,292)</u>           | <u>(7)</u>      | <u>(5,285)</u>       | <u>(8,602)</u>                | <u>(3,204)</u>  | <u>(5,398)</u>       |
|                          |                 |                      |                               |                 |                      |
| <u>0</u>                 | <u>0</u>        | <u>0</u>             | <u>0</u>                      | <u>0</u>        | <u>0</u>             |
|                          |                 |                      |                               |                 |                      |
| \$ <u>(5,292)</u>        | (7)             | \$ <u>(5,285)</u>    | \$ <u>(8,602)</u>             | (3,204)         | \$ <u>(5,398)</u>    |
|                          |                 |                      |                               |                 |                      |
|                          | 200             |                      |                               | 1,028           |                      |
|                          |                 |                      |                               |                 |                      |
|                          | 193             |                      |                               | (2,176)         |                      |
|                          | 6,647           |                      |                               | 6,800           |                      |
|                          | <u>\$ 6,840</u> |                      |                               | <u>\$ 4,624</u> |                      |

This statement continued on the next page.

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2005

(Stated in Thousands)

|  | Funds Not Annually Budgeted                       |                                |
|--|---|--------------------------------|
|  | Northern Tobacco<br>Securitization<br>Corporation | Reclamation<br>Bonding<br>Pool |
|  | Actual  | Actual                         |
| <b>REVENUES</b>  |   |                                |
| Unrestricted:  |   |                                |
| Taxes  | \$  | \$                             |
| Licenses and Permits   |   |                                |
| Charges for Services   |   |                                |
| Fines and Forfeitures  |   |                                |
| Rents and Royalties  |   |                                |
| Premiums and Contributions   |   |                                |
| Interest and Investment Income   |   |                                |
| Other Revenues   |   |                                |
| Restricted:  |   |                                |
| Federal Grants in Aid  |   |                                |
| Interagency  |   |                                |
| Total Revenues   | 0   | 0                              |
| <b>EXPENDITURES</b>  |   |                                |
| Current:   |   |                                |
| General Government   |   |                                |
| Education  |   |                                |
| Health and Human Services  |   |                                |
| Law and Justice  |   |                                |
| Public Protection  |   |                                |
| Natural Resources  |   |                                |
| Development  |   |                                |
| Transportation   |   |                                |
| Total Expenditures   | 0   | 0                              |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | 0   | 0                              |
| <b>OTHER FINANCING SOURCES (USES)</b>  |   |                                |
| Transfers In from Other Funds  |   |                                |
| Total Other Financing Sources<br>and Uses  | 0   | 0                              |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>Budgetary Basis | 0   | 0                              |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |   |                                |
| Adjust Expenditures for Encumbrances   |   |                                |
| Funds Not Annually Budgeted<br>Basis Difference  | (112)   | 64                             |
| Excess (Deficiency) of Revenues,<br>Over (Under) Expenditures, and<br>Other Financing Sources (Uses),<br>GAAP Basis      | (112)   | 64                             |
| Fund Balances - Beginning of Year  | 292   | 761                            |
| Fund Balances - End of Year  | \$ 180  | \$ 825                         |

STATEMENT 3.33

| Total Nonmajor Special Revenue Funds |            |                      |
|--------------------------------------|------------|----------------------|
| Budget                               | Actual     | Variance with Budget |
| \$ 29,770                            | \$ 29,770  | \$ 0                 |
| 26,942                               | 26,942     | 0                    |
| 398                                  | 357        | 41                   |
| 103                                  | 103        | 0                    |
| 31,595                               | 31,595     | 0                    |
| 6,548                                | 6,548      | 0                    |
| 777                                  | 777        | 0                    |
| 27,145                               | 65         | 27,080               |
| 30,561                               | 26,994     | 3,567                |
| 945                                  | 47         | 898                  |
| 154,784                              | 123,198    | 31,586               |
| 1,907                                | 1,907      | 0                    |
| 33,412                               | 33,412     | 0                    |
| 7,271                                | 5,431      | 1,840                |
| 1,585                                | 636        | 949                  |
| 923                                  | 923        | 0                    |
| 78,236                               | 60,793     | 17,443               |
| 33,985                               | 33,985     | 0                    |
| 8,138                                | 200        | 7,938                |
| 165,457                              | 137,287    | 28,170               |
| (10,673)                             | (14,089)   | 3,416                |
| 2,687                                | 2,687      | 0                    |
| 2,687                                | 2,687      | 0                    |
| \$ (7,986)                           | (11,402)   | \$ 3,416             |
|                                      | 31,030     |                      |
|                                      | (48)       |                      |
|                                      | 180        |                      |
|                                      | 19,760     |                      |
|                                      | 85,164     |                      |
|                                      | \$ 104,924 |                      |



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# Nonmajor Debt Service Funds

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The debt service funds account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt. The following are the state's debt service funds.

- **General Obligation Bond Redemption Fund (Fund 14050)** – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of general obligation bonds.
- **Northern Tobacco Securitization Corporation (NTSC) Bond Redemption Fund (Fund 14120)** – AS 18.56.086 – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of revenue bonds issued by NTSC.



STATE OF ALASKA  
 Combining Balance Sheet  
 Nonmajor Debt Service Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 3.41

|                                      | General<br>Obligation<br>Bond Redemption | Northern<br>Tobacco<br>Securitization<br>Corporation | Total Nonmajor<br>Debt Service<br>Funds |
|--------------------------------------|--|--|---|
| <b>ASSETS</b>                        |  |  |   |
| Cash and Investments                 | \$ 6,746                                 | \$ 28,402  | \$ 35,148                               |
| Interest and Dividends Receivable    |  | 63   | 63                                      |
| Securities Lending Collateral        | 56                                       |  | 56                                      |
| Total Assets                         | <u>\$ 6,802</u>                          | <u>\$ 28,465</u>                                     | <u>\$ 35,267</u>                        |
| <b>LIABILITIES AND FUND BALANCES</b> |  |  |   |
| Liabilities:                         |  |  |   |
| Obligations Under Securities Lending | \$ 56                                    | \$ 0   | \$ 56                                   |
| Total Liabilities                    | <u>56</u>                                | <u>0</u>   | <u>56</u>                               |
| Fund Balances:                       |  |  |   |
| Reserved:                            |  |  |   |
| Debt Service                         | 6,746                                    | 28,465   | 35,211                                  |
| Total Fund Balances                  | <u>6,746</u>                             | <u>28,465</u>  | <u>35,211</u>                           |
| Total Liabilities and Fund Balances  | <u>\$ 6,802</u>                          | <u>\$ 28,465</u>                                     | <u>\$ 35,267</u>                        |

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

## Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2005

(Stated in Thousands)

|  | General<br>Obligation<br>Bond Redemption | Northern<br>Tobacco<br>Securitization<br>Corporation | Total Nonmajor<br>Debt Service<br>Funds |
|--|--|--|---|
| <b>REVENUES</b>                                      |  |  |   |
| Interest and Investment Income                       | \$ 369                                   | \$ 1,213   | \$ 1,582                                |
| Other Revenues                                       |  | 17,407   | 17,407                                  |
| Total Revenues                                       | <u>369</u>                               | <u>18,620</u>  | <u>18,989</u>                           |
| <b>EXPENDITURES</b>                                  |  |  |   |
| Debt Service:  |  |  |   |
| Principal  | 23,565                                   | 5,710  | 29,275                                  |
| Interest and Other Charges                           | 22,864                                   | 12,558   | 35,422                                  |
| Total Expenditures                                   | <u>46,429</u>                            | <u>18,268</u>  | <u>64,697</u>                           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(46,060)</u>                          | <u>352</u>   | <u>(45,708)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                |  |  |   |
| Transfers In from Other Funds                        | 28,751                                   |  | 28,751                                  |
| Total Other Financing Sources<br>and Uses            | <u>28,751</u>                            | <u>0</u>   | <u>28,751</u>                           |
| Net Change in Fund Balances                          | (17,309)                                 | 352  | (16,957)                                |
| Fund Balances - Beginning of Year                    | 24,055                                   | 28,113   | 52,168                                  |
| Fund Balances - End of Year                          | <u>\$ 6,746</u>                          | <u>\$ 28,465</u>                                     | <u>\$ 35,211</u>                        |



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# Nonmajor Capital Projects Funds

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- **Accelerated Alaska Transportation Projects Fund (Fund 13110)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of \$102,805,000 of bonds and is to be used for the purpose of paying the cost of transportation projects that qualify for federal highway aid.
- **Educational and Museum Facility Design, Construction, and Major Maintenance Fund (GO Bonds) (Fund 13112)** – Chapter 2, SSSLA 2002 – This fund consists of the proceeds from the sales of \$235,215,500 of bonds and is to be used for the purpose of paying the cost of design, construction, and major maintenance of educational and museum facilities.
- **Transportation Projects Fund (GO Bonds) (Fund 13111)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of \$123,914,500 for the purpose of paying the cost of state transportation projects.



STATE OF ALASKA  
 Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 3.51

|  | Accelerated<br>Alaska<br>Transportation<br>Projects | Transportation<br>Projects | Educational and<br>Museum<br>Facility Design,<br>Construction, and<br>Major Maintenance | Total Nonmajor<br>Capital Projects<br>Funds |
|--|---|----------------------------|---|---|
| <b>ASSETS</b>                              |   |                            |   |   |
| Cash and Investments                       | \$ 69,483   | \$ 89,686                  | \$ 103,582  | \$ 262,751                                  |
| Interest and Dividends Receivable          | 185   | 235                        | 274   | 694   |
| Due from Component Units                   |   |                            | 44  | 44  |
| Securities Lending Collateral              | 657   | 848                        | 979   | 2,484                                       |
| <b>Total Assets</b>                        | <b>\$ 70,325</b>                                    | <b>\$ 90,769</b>           | <b>\$ 104,879</b>   | <b>\$ 265,973</b>                           |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |                            |   |   |
| Liabilities:                               |   |                            |   |   |
| Accounts Payable and Accrued Liabilities   | \$  | \$                         | \$ 2,971  | \$ 2,971                                    |
| Obligations Under Securities Lending       | 657   | 848                        | 979   | 2,484                                       |
| Due to Other Funds                         | 9,068   | 3,733                      |   | 12,801                                      |
| <b>Total Liabilities</b>                   | <b>9,725</b>  | <b>4,581</b>               | <b>3,950</b>  | <b>18,256</b>                               |
| Fund Balances:                             |   |                            |   |   |
| Reserved:                                  |   |                            |   |   |
| Encumbrances                               | 31,268  | 27,982                     | 61,504  | 120,754                                     |
| Unreserved:                                |   |                            |   |   |
| Designated for Continuing Appropriations   | 26,568  | 54,916                     | 36,081  | 117,565                                     |
| Undesignated                               | 2,764   | 3,290                      | 3,344   | 9,398                                       |
| <b>Total Fund Balances</b>                 | <b>60,600</b>                                       | <b>86,188</b>              | <b>100,929</b>  | <b>247,717</b>                              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 70,325</b>                                    | <b>\$ 90,769</b>           | <b>\$ 104,879</b>   | <b>\$ 265,973</b>                           |

STATE OF ALASKA  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 3.52

|  | Accelerated<br>Alaska<br>Transportation<br>Projects | Transportation<br>Projects | Educational and<br>Museum<br>Facility Design,<br>Construction, and<br>Major Maintenance | Total Nonmajor<br>Capital Projects<br>Funds |
|--|---|----------------------------|---|---|
| <b>REVENUES</b>                                      |   |                            |   |   |
| Interest and Investment Income                       | \$ 1,978  | \$ 2,360                   | \$ 3,124  | \$ 7,462                                    |
| Total Revenues                                       | <u>1,978</u>  | <u>2,360</u>               | <u>3,124</u>  | <u>7,462</u>                                |
| <b>EXPENDITURES</b>                                  |   |                            |   |   |
| Current  |   |                            |   |   |
| Education  |   |                            | 63,476  | 63,476                                      |
| University   |   |                            | 7,896   | 7,896                                       |
| Transportation                                       | 33,054  | 29,753                     |   | 62,807                                      |
| Total Expenditures                                   | <u>33,054</u>                                       | <u>29,753</u>              | <u>71,372</u>   | <u>134,179</u>                              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(31,076)</u>                                     | <u>(27,393)</u>            | <u>(68,248)</u>   | <u>(126,717)</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                |   |                            |   |   |
| Transfers (Out to) Other Funds                       | (438)   | (883)                      | (1,590)   | (2,911)                                     |
| Total Other Financing Sources<br>and Uses            | <u>(438)</u>  | <u>(883)</u>               | <u>(1,590)</u>  | <u>(2,911)</u>                              |
| Net Change in Fund Balances                          | (31,514)  | (28,276)                   | (69,838)  | (129,628)                                   |
| Fund Balances - Beginning of Year                    | 92,114  | 114,464                    | 170,767   | 377,345                                     |
| Fund Balances - End of Year                          | <u>\$ 60,600</u>                                    | <u>\$ 86,188</u>           | <u>\$ 100,929</u>   | <u>\$ 247,717</u>                           |



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# Nonmajor Enterprise Funds

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Enterprise funds account for business-like state activities that provide goods and/or services to the public and are financed primarily through user charges. The following are the state's enterprise funds.

## COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

- **Alaska World War II Veterans' Revolving Loan Fund (Fund 21605)** – AS 26.15.090 – Administered by Department of Commerce, Community, and Economic Development (DCCED). The fund was created for the purpose of making home, education, or personal loans to eligible veterans. However, no loans are currently being made from the fund.
- **Child Care Facility Revolving Loan Fund (Fund 21612)** – AS 44.33.240 – Administered by DCCED. The purpose of this fund is to make loans for the construction, renovation, and equipping of child care facilities.
- **Commercial Fishing Revolving Loan Fund (Fund 21608)** – AS 16.10.340 – Administered by DCCED. The purpose of the fund is to promote the development and continued maintenance of commercial fishing gear and vessels by means of long-term, low interest loans.
- **Fisheries Enhancement Revolving Loan Fund (Fund 21615)** – AS 16.10.505 – Administered by DCCED. The purpose of this fund is to promote the enhancement of the state's fisheries by means of long-term, low interest loans for hatchery planning, construction, and operation.
- **Historical District Revolving Loan Fund (Fund 21614)** – AS 45.98.010 – Administered by DCCED. The purpose of this fund is to make loans for the restoration or rehabilitation of structures within the boundaries of a historical district. These structures are identified as important to State or national history and are suitable for superficial modification to conform to the period or motif of the surrounding area.
- **Mining Revolving Loan Fund (Fund 21625)** – AS 27.09.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for loans to underwrite advanced mineral exploration, development, or mining.
- **Small Business Revolving Loan Fund (Fund 21607)** – AS 45.95.060 – Administered by DCCED. AS 45.95 authorizes the Commissioner of DCCED to make small business loans. Loans may be used to acquire, finance, or refinance or equip businesses, which includes mining, fishing, and farming equipment.

## ENERGY ASSISTANCE ENTERPRISE FUNDS

- **Alternative Energy Revolving Loan Fund (Fund 21619)** – AS 45.88.010 – Administered by DCCED. This fund consists of monies appropriated by the legislature for the purpose of developing energy production from sources other than fossil or nuclear fuel.
- **Residential Energy Conservation Fund (Fund 21623)** – AS 45.89.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for grants and loans to purchase, construct, or install energy conservation improvements.

## OTHER AGENCIES ENTERPRISE FUNDS

- **Agricultural Revolving Loan Fund (Fund 21606)** – AS 03.10.040 – Administered by the Department of Natural Resources. The Alaska Agricultural Loan Act is a declaration of policy to promote the development of agriculture as an industry throughout the state by means of long-term, low interest loans. The fund was created to fulfill this purpose.
- **Alaska Clean Water Fund (Fund 21658)** – AS 46.03.032-036 & 37.15.565 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities and to provide financial assistance for this purpose.
- **Alaska Drinking Water Fund (Fund 21659)** – AS 46.03.036-038 & 37.15.565 – Administered by the Department of Environmental Conservation. The fund consists of federal capitalization grants. The capitalization grants are divided between two purposes: part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; the other part is to be used or set aside for non-project activities.
- **Alcoholism and Drug Abuse Revolving Loan Fund (Fund 21642)** – AS 44.29.210 – Administered by Department of Health and Social Services. This fund is required under 42 U.S.C. 300x-25 to qualify the state to receive block grant money from the United States Department of Health and Human Services under 42 U.S.C. 300x-21. Money in the fund may be used to make loans to private nonprofit organizations for the cost of establishing programs to help pay the living expenses of individuals recovering from alcohol or drug abuse who may reside in group homes.
- **Knik Arm Bridge and Toll Authority (Fund 21680)** – AS 19.75.021 – Administered by the Department of Transportation and Public Facilities. This fund is to be used for the purpose of developing public transportation systems in the vicinity of Upper Cook Inlet with the construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. These monies may be used to own, acquire, construct, develop, create, reconstruct, equip, operate, maintain, extend, and improve the Knik Arm Bridge and its appurtenant facilities. The authority can fix and collect fees, rents, tolls, rates or other charges for the use of the bridge and its facilities which would become revenue to the fund.
- **Unemployment Compensation Fund (Fund 33030)** – AS 23.20.130 – Administered by the Department of Labor and Workforce Development. This federal trust fund is established and maintained in the U.S. Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.





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STATE OF ALASKA  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 4.01

|  | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise Funds |
|--|--------------------------|----------------------|-------------------|------------------------------------|
| <b>ASSETS</b>  |                          |                      |                   |                                    |
| Current Assets:  |                          |                      |                   |                                    |
| Cash and Investments                                     | \$ 47,008                | \$ 331               | \$ 301,514        | \$ 348,853                         |
| Accounts Receivable - Net                                | 322                      |                      | 4,339             | 4,661                              |
| Interest and Dividends Receivable                        | 3,184                    |                      | 1,581             | 4,765                              |
| Due from Other Funds                                     |                          |                      | 431               | 431                                |
| Due from Other Governments                               |                          |                      | 1,762             | 1,762                              |
| Loans, Notes, and Bonds Receivable                       | 7,732                    | 2                    | 11,155            | 18,889                             |
| Securities Lending Collateral                            |                          |                      | 793               | 793                                |
| Total Current Assets                                     | <u>58,246</u>            | <u>333</u>           | <u>321,575</u>    | <u>380,154</u>                     |
| Noncurrent Assets:                                       |                          |                      |                   |                                    |
| Accounts Receivable - Net                                | 1,028                    |                      |                   | 1,028                              |
| Interest and Dividends Receivable                        | 24,574                   |                      |                   | 24,574                             |
| Loans, Notes, and Bonds Receivable                       | 113,194                  | 7                    | 150,926           | 264,127                            |
| Repossessed Property                                     | 1,802                    |                      | 3,428             | 5,230                              |
| Investment in Projects, Partnerships,<br>or Corporations |                          |                      | 7,986             | 7,986                              |
| Other Noncurrent Assets                                  |                          |                      | 396               | 396                                |
| Capital Assets:  |                          |                      |                   |                                    |
| Construction in Progress                                 |                          |                      | 9,625             | 9,625                              |
| Total Noncurrent Assets                                  | <u>140,598</u>           | <u>7</u>             | <u>172,361</u>    | <u>312,966</u>                     |
| Total Assets   | <u>198,844</u>           | <u>340</u>           | <u>493,936</u>    | <u>693,120</u>                     |
| <b>LIABILITIES</b>                                       |                          |                      |                   |                                    |
| Current Liabilities:                                     |                          |                      |                   |                                    |
| Accounts Payable and Accrued Liabilities                 | 446                      |                      | 6,503             | 6,949                              |
| Obligations Under Securities Lending                     |                          |                      | 793               | 793                                |
| Due to Other Funds                                       | 461                      | 38                   | 2,157             | 2,656                              |
| Due to Other Governments                                 |                          |                      | 5,049             | 5,049                              |
| Claims, Judgements and<br>Compensated Absences           |                          |                      | 54                | 54                                 |
| Other Current Liabilities                                |                          |                      | 15                | 15                                 |
| Total Current Liabilities                                | <u>907</u>               | <u>38</u>            | <u>14,571</u>     | <u>15,516</u>                      |
| Noncurrent Liabilities:                                  |                          |                      |                   |                                    |
| Other Noncurrent Liabilities                             |                          |                      | 38                | 38                                 |
| Total Noncurrent Liabilities                             | <u>0</u>                 | <u>0</u>             | <u>38</u>         | <u>38</u>                          |
| Total Liabilities  | <u>907</u>               | <u>38</u>            | <u>14,609</u>     | <u>15,554</u>                      |
| <b>NET ASSETS</b>  |                          |                      |                   |                                    |
| Invested in Capital Assets,<br>Net of Related Debt       |                          |                      | 9,625             | 9,625                              |
| Restricted for:  |                          |                      |                   |                                    |
| Unemployment Compensation                                |                          |                      | 188,271           | 188,271                            |
| Other Purposes   |                          |                      | 254,895           | 254,895                            |
| Unrestricted   | 197,937                  | 302                  | 26,536            | 224,775                            |
| Total Net Assets   | <u>\$ 197,937</u>        | <u>\$ 302</u>        | <u>\$ 479,327</u> | <u>\$ 677,566</u>                  |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2005

(Stated in Thousands)

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise Funds |
|---|--------------------------|----------------------|-------------------|------------------------------------|
| <b>OPERATING REVENUES</b>                         |                          |                      |                   |                                    |
| Premiums and Contributions                        | \$                       | \$                   | \$ 148,354        | \$ 148,354                         |
| Charges for Goods and Services                    | 191                      |                      | 720               | 911                                |
| Interest and Investment Income                    | 5,963                    | 10                   | 2,998             | 8,971                              |
| Allowance for Uncollectible Interest              | 565                      |                      |                   | 565                                |
| Fines and Forfeitures                             | 119                      |                      | 9                 | 128                                |
| Federal Grants in Aid                             |                          |                      | 7,954             | 7,954                              |
| Total Operating Revenues                          | 6,838                    | 10                   | 160,035           | 166,883                            |
| <b>OPERATING EXPENSES</b>                         |                          |                      |                   |                                    |
| Benefits  |                          |                      | 143,700           | 143,700                            |
| Operating   | 3,432                    |                      | 938               | 4,370                              |
| Depreciation                                      |                          |                      | 90                | 90                                 |
| Provision for Loan Losses and Forgiveness         | (1,445)                  |                      | (622)             | (2,067)                            |
| Other Operating Expenses                          |                          |                      | 4,103             | 4,103                              |
| Total Operating Expenses                          | 1,987                    | 0                    | 148,209           | 150,196                            |
| Operating Income (Loss)                           | 4,851                    | 10                   | 11,826            | 16,687                             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                          |                      |                   |                                    |
| Interest and Investment Income                    |                          |                      | 13,018            | 13,018                             |
| Interest and Investment Expense                   |                          |                      | (179)             | (179)                              |
| Gain (Loss) on Disposal of Capital Assets         |                          |                      | (31)              | (31)                               |
| Other Nonoperating Revenues (Expenses)            |                          |                      | (176)             | (176)                              |
| Total Nonoperating Revenues (Expenses)            | 0                        | 0                    | 12,632            | 12,632                             |
| Income Before Capital Contributions and Transfers | 4,851                    | 10                   | 24,458            | 29,319                             |
| Capital Contributions                             |                          |                      | 18,280            | 18,280                             |
| Transfers In from Other Funds                     |                          |                      | 755               | 755                                |
| Transfers (Out to) Other Funds                    | (2,218)                  | (33)                 | (3,472)           | (5,723)                            |
| Change in Net Assets                              | 2,633                    | (23)                 | 40,021            | 42,631                             |
| Total Net Assets - Beginning of Year              | 195,183                  | 325                  | 439,715           | 635,223                            |
| Prior Period Adjustment                           | 121                      |                      | (409)             | (288)                              |
| Total Net Assets - End of Year                    | \$ 197,937               | \$ 302               | \$ 479,327        | \$ 677,566                         |

STATE OF ALASKA  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2005**  
**(Stated in Thousands)**

STATEMENT 4.03

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise<br>Funds |
|---|--------------------------|----------------------|-------------------|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |                          |                      |                   |                                       |
| Receipts from Other Governments                             | \$                       | \$                   | \$ 1,543          | \$ 1,543                              |
| Receipts from Customers                                     | (75)                     |                      | 1,356             | 1,281                                 |
| Receipt of Principal from Loan Recipients                   | 14,596                   | 20                   | 17,512            | 32,128                                |
| Receipt of Interest and Fees from Loan Recipients           | 5,878                    | 5                    | 3,976             | 9,859                                 |
| Receipts from Insured                                       |                          |                      | 149,963           | 149,963                               |
| Payments to Employees                                       |                          |                      | (794)             | (794)                                 |
| Payments to Suppliers                                       |                          |                      | (1,338)           | (1,338)                               |
| Payments to Other Governments                               |                          |                      | 295               | 295                                   |
| Payments to Loan Recipients                                 | (18,334)                 |                      | (22,879)          | (41,213)                              |
| Claims Paid   |                          |                      | (141,280)         | (141,280)                             |
| Interfund Services Used                                     | (3,238)                  | (2)                  |                   | (3,240)                               |
| Other Receipts  | 385                      |                      | 14                | 399                                   |
| Other Payments  |                          |                      | (6,527)           | (6,527)                               |
| Net Cash Provided (Used) by Operating Activities            | <u>(788)</u>             | <u>23</u>            | <u>1,841</u>      | <u>1,076</u>                          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>     |                          |                      |                   |                                       |
| Operating Subsidies and Transfers (Out to) Other Funds      | (2,534)                  | (10)                 | (3,472)           | (6,016)                               |
| Operating Subsidies and Transfers In from Other Funds       |                          |                      | 755               | 755                                   |
| Federal Grants  |                          |                      | 18,280            | 18,280                                |
| Proceeds from Issuance of Short-term Debt                   |                          |                      | 2,602             | 2,602                                 |
| Payments on Short-term Debt                                 |                          |                      | (2,602)           | (2,602)                               |
| Interest and Fees Paid on Borrowing                         |                          |                      | (3)               | (3)                                   |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(2,534)</u>           | <u>(10)</u>          | <u>15,560</u>     | <u>13,016</u>                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |                          |                      |                   |                                       |
| Income from Securities Lending Activities                   |                          |                      | 189               | 189                                   |
| Expenses from Securities Lending Activities                 |                          |                      | (175)             | (175)                                 |
| Interest and Dividends on Investments                       |                          |                      | 12,842            | 12,842                                |
| Net Cash Provided (Used) by Investing Activities            | <u>0</u>                 | <u>0</u>             | <u>12,856</u>     | <u>12,856</u>                         |
| Net Increase (Decrease) in Cash                             | (3,322)                  | 13                   | 30,257            | 26,948                                |
| Cash and Cash Equivalents - Beginning of Year               | 50,330                   | 318                  | 271,257           | 321,905                               |
| Cash and Cash Equivalents - End of Year                     | <u>\$ 47,008</u>         | <u>\$ 331</u>        | <u>\$ 301,514</u> | <u>\$ 348,853</u>                     |

This statement continued on the next page.

STATE OF ALASKA  
 Combining Statement of Cash Flows  
 Nonmajor Enterprise Funds  
 For the Fiscal Year Ended June 30, 2005  
 (Stated in Thousands)

STATEMENT 4.03

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise<br>Funds |
|---|--------------------------|----------------------|-------------------|---------------------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                          |                      |                   |                                       |
| Operating Income (Loss)   | \$ 4,851                 | \$ 10                | \$ 11,826         | \$ 16,687                             |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                          |                      |                   |                                       |
| Depreciation and Amortization   |                          |                      | 90                | 90                                    |
| Other Reconciling Items   |                          |                      | (221)             | (221)                                 |
| Net Changes in Assets and Liabilities:  |                          |                      |                   |                                       |
| Accounts Receivable - Net   | (584)                    |                      | 2,264             | 1,680                                 |
| Due From Other Funds  | 2                        |                      | (274)             | (272)                                 |
| Due From Other Governments  |                          |                      | (363)             | (363)                                 |
| Loans, Notes and Bonds Receivable - Net   | (4,799)                  | 15                   | (6,737)           | (11,521)                              |
| Reposessed Property   |                          |                      | (1,990)           | (1,990)                               |
| Investment in Projects, Partnerships, or Corporations   |                          |                      | 51                | 51                                    |
| Securities Lending Collateral   |                          |                      | (793)             | (793)                                 |
| Interest and Dividends Receivable - Net   | 141                      |                      | 249               | 390                                   |
| Other Assets  | (841)                    |                      | (6,596)           | (7,437)                               |
| Due to Other Funds  | 196                      | (2)                  | 1,200             | 1,394                                 |
| Due to Other Governments  |                          |                      | 295               | 295                                   |
| Accounts Payable and Accrued Liabilities  | 246                      |                      | 2,620             | 2,866                                 |
| Obligations Under Securities Lending  |                          |                      | 793               | 793                                   |
| Other Liabilities   |                          |                      | (573)             | (573)                                 |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (788)</u>          | <u>\$ 23</u>         | <u>\$ 1,841</u>   | <u>\$ 1,076</u>                       |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |                          |                      |                   |                                       |
| Total Cash and Investments per the Statement of Net Assets  | \$ 47,008                | \$ 331               | \$ 301,514        | \$ 348,853                            |
| Cash, End of Year   | <u>\$ 47,008</u>         | <u>\$ 331</u>        | <u>\$ 301,514</u> | <u>\$ 348,853</u>                     |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                          |                      |                   |                                       |
| Transfers (Out to) Other Funds (Accrual)  | (2,218)                  | (33)                 |                   | (2,251)                               |

STATE OF ALASKA  
Combining Statement of Net Assets  
Commercial Assistance Enterprise Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 4.11

|  | Alaska<br>World War II<br>Veterans'<br>Revolving Loan | Small<br>Business<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan |
|--|---|--|--|
| <b>ASSETS</b>                            |   |  |  |
| Current Assets:                          |   |  |  |
| Cash and Investments                     | \$ 182  | \$ 439                                 | \$ 33,107                                  |
| Accounts Receivable - Net                | 187   |  | 135  |
| Interest and Dividends Receivable        |   |  | 2,290                                      |
| Loans, Notes, and Bonds Receivable       | <u>3</u>  | <u>2</u>                               | <u>6,160</u>                               |
| Total Current Assets                     | <u>372</u>  | <u>441</u>                             | <u>41,692</u>                              |
| Noncurrent Assets:                       |   |  |  |
| Accounts Receivable - Net                |   |  | 1,028                                      |
| Interest and Dividends Receivable        | 9   |  | 3,827                                      |
| Loans, Notes, and Bonds Receivable       | 24  | 10                                     | 53,925                                     |
| Repossessed Property                     |   |  | 1,802                                      |
| Total Noncurrent Assets                  | <u>33</u>   | <u>10</u>                              | <u>60,582</u>                              |
| Total Assets                             | <u>405</u>  | <u>451</u>                             | <u>102,274</u>                             |
| <b>LIABILITIES</b>                       |   |  |  |
| Current Liabilities:                     |   |  |  |
| Accounts Payable and Accrued Liabilities | 14  |  | 431  |
| Due to Other Funds                       | 18  | 189                                    | 219  |
| Total Current Liabilities                | <u>32</u>   | <u>189</u>                             | <u>650</u>                                 |
| Total Liabilities                        | <u>32</u>   | <u>189</u>                             | <u>650</u>                                 |
| <b>NET ASSETS</b>                        |   |  |  |
| Unrestricted                             | 373   | 262                                    | 101,624                                    |
| Total Net Assets                         | <u>\$ 373</u>   | <u>\$ 262</u>                          | <u>\$ 101,624</u>                          |



STATEMENT 4.11

| Child Care<br>Facility<br>Revolving Loan | Historical<br>District<br>Revolving<br>Loan | Fisheries<br>Enhancement<br>Revolving<br>Loan | Mining<br>Revolving<br>Loan | Total<br>Commercial<br>Assistance<br>Enterprise Funds |
|--|---|---|-----------------------------|---|
| \$ 110                                   | \$ 123                                      | \$ 12,795                                     | \$ 252                      | \$ 47,008   |
|  |   | 894   |                             | 322   |
| 6  | 10  | 1,551   |                             | 3,184   |
| <u>116</u>                               | <u>133</u>                                  | <u>15,240</u>                                 | <u>252</u>                  | <u>7,732</u>  |
|  |   |   |                             | 58,246  |
|  |   |   |                             | 1,028   |
|  |   | 20,738  |                             | 24,574  |
| 2  | 113   | 59,120  |                             | 113,194   |
|  |   |   |                             | 1,802   |
| <u>2</u>                                 | <u>113</u>                                  | <u>79,858</u>                                 | <u>0</u>                    | <u>140,598</u>  |
| <u>118</u>                               | <u>246</u>                                  | <u>95,098</u>                                 | <u>252</u>                  | <u>198,844</u>  |
|  |   |   |                             |   |
|  |   | 1   |                             | 446   |
| <u>10</u>                                | <u>23</u>                                   |   | <u>2</u>                    | <u>461</u>  |
| <u>10</u>                                | <u>23</u>                                   | <u>1</u>                                      | <u>2</u>                    | <u>907</u>  |
| <u>10</u>                                | <u>23</u>                                   | <u>1</u>                                      | <u>2</u>                    | <u>907</u>  |
|  |   |   |                             |   |
| <u>108</u>                               | <u>223</u>                                  | <u>95,097</u>                                 | <u>250</u>                  | <u>197,937</u>  |
| <u>\$ 108</u>                            | <u>\$ 223</u>                               | <u>\$ 95,097</u>                              | <u>\$ 250</u>               | <u>\$ 197,937</u>                                     |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Commercial Assistance Enterprise Funds  
 For the Fiscal Year Ended June 30, 2005  
 (Stated in Thousands)

|   | Alaska<br>World War II<br>Veterans'<br>Revolving Loan | Small<br>Business<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan |
|---|---|--|--|
| <b>OPERATING REVENUES</b>                 |   |  |  |
| Charges for Goods and Services            | \$ 5  | \$                                     | \$ 132                                     |
| Interest and Investment Income            | 4   | 49                                     | 4,361                                      |
| Allowance for Uncollectible Interest      |   |  | 660  |
| Fines and Forfeitures                     | 2   | 7                                      | 110  |
| Total Operating Revenues                  | <u>11</u>   | <u>56</u>                              | <u>5,263</u>                               |
| <b>OPERATING EXPENSES</b>                 |   |  |  |
| Operating                                 |   |  | 3,032                                      |
| Provision for Loan Losses and Forgiveness |   |  | (2,992)                                    |
| Total Operating Expenses                  | <u>0</u>  | <u>0</u>                               | <u>40</u>                                  |
| Operating Income (Loss)                   | <u>11</u>   | <u>56</u>                              | <u>5,223</u>                               |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |   |  |  |
| Transfers (Out to) Other Funds            | (18)  | (189)                                  | (1,976)                                    |
| Change in Net Assets                      | (7)   | (133)                                  | 3,247                                      |
| Total Net Assets - Beginning of Year      | 380   | 274                                    | 98,377                                     |
| Prior Period Adjustment                   |   | 121                                    |  |
| Total Net Assets - End of Year            | <u>\$ 373</u>   | <u>\$ 262</u>                          | <u>\$ 101,624</u>                          |

STATEMENT 4.12

| Child Care Facility Revolving Loan | Historical District Revolving Loan | Fisheries Enhancement Revolving Loan | Mining Revolving Loan | Total Commercial Assistance Enterprise Funds |
|------------------------------------|------------------------------------|--------------------------------------|-----------------------|--|
| \$ 2                               | \$ 11                              | \$ 54<br>1,534<br>(95)               | \$ 2                  | \$ 191<br>5,963<br>565<br>119                |
| <u>2</u>                           | <u>11</u>                          | <u>1,493</u>                         | <u>2</u>              | <u>6,838</u>                                 |
|                                    |                                    | 400<br>1,547                         |                       | 3,432<br>(1,445)                             |
| <u>0</u>                           | <u>0</u>                           | <u>1,947</u>                         | <u>0</u>              | <u>1,987</u>                                 |
| <u>2</u>                           | <u>11</u>                          | <u>(454)</u>                         | <u>2</u>              | <u>4,851</u>                                 |
| (10)                               | (23)                               | 0                                    | (2)                   | (2,218)                                      |
| <u>(8)</u>                         | <u>(12)</u>                        | <u>(454)</u>                         | <u>0</u>              | <u>2,633</u>                                 |
| 116                                | 235                                | 95,551                               | 250                   | 195,183<br>121                               |
| <u>\$ 108</u>                      | <u>\$ 223</u>                      | <u>\$ 95,097</u>                     | <u>\$ 250</u>         | <u>\$ 197,937</u>                            |

Combining Statement of Cash Flows  
Commercial Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

|   | Alaska<br>World War II<br>Veterans'<br>Revolving Loan | Small<br>Business<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan |
|---|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |  |  |
| Receipts from Customers   | \$ 2  | \$ 7                                   | \$ (84)                                    |
| Receipts of Principal from Loan Recipients  | 18  | 22                                     | 12,249                                     |
| Receipt of Interest and Fees from Loan Recipients   | (2)   | 160                                    | 4,512                                      |
| Payments to Loan Recipients   |   |  | (8,601)                                    |
| Interfund Services Used   | (22)  |  | (2,815)                                    |
| Other Receipts  |   |  | 385  |
| Net Cash Provided (Used) by Operating Activities  | <u>(4)</u>  | <u>189</u>                             | <u>5,646</u>                               |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |  |  |
| Operating Subsidies and Transfers (Out to) Other Funds  | (55)  | (60)                                   | (1,976)                                    |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>(55)</u>   | <u>(60)</u>                            | <u>(1,976)</u>                             |
| Net Increase (Decrease) in Cash   | (59)  | 129                                    | 3,670                                      |
| Cash and Cash Equivalents - Beginning of Year   | 241   | 310                                    | 29,437                                     |
| Cash and Cash Equivalents - End of Year   | <u>\$ 182</u>   | <u>\$ 439</u>                          | <u>\$ 33,107</u>                           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |   |  |  |
| Operating Income (Loss)   | \$ 11   | \$ 56                                  | \$ 5,223                                   |
| Adjustments to Reconcile Operating Income to Net Cash   |   |  |  |
| Net Changes in Assets and Liabilities:  |   |  |  |
| Accounts Receivable - Net   | 2   |  | (586)                                      |
| Due From Other Funds  |   |  | 2  |
| Loans, Notes and Bonds Receivable - Net   | 5   | 22                                     | 1,094                                      |
| Interest and Dividends Receivable - Net   |   | 111                                    | 273  |
| Other Assets  |   |  | (841)                                      |
| Due to Other Funds  | (22)  |  | 219  |
| Accounts Payable and Accrued Liabilities  |   |  | 262  |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (4)</u>   | <u>\$ 189</u>                          | <u>\$ 5,646</u>                            |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |   |  |  |
| Total Cash and Investments per the Statement of Net Assets  | \$ 182  | \$ 439                                 | \$ 33,107                                  |
| Cash, End of Year   | <u>\$ 182</u>   | <u>\$ 439</u>                          | <u>\$ 33,107</u>                           |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |   |  |  |
| Transfers (Out to) Other Funds (Accrual)  | \$ (18)   | \$ (189)                               | \$ (1,976)                                 |

STATEMENT 4.13

| Child Care Facility Revolving Loan | Historical District Revolving Loan | Fisheries Enhancement Revolving Loan | Mining Revolving Loan | Total Commercial Assistance Enterprise Funds |
|------------------------------------|------------------------------------|--------------------------------------|-----------------------|--|
| \$                                 | \$                                 | \$                                   | \$                    | \$   |
| 9                                  | 11                                 | 2,287                                |                       | (75)   |
| 2                                  | 12                                 | 1,192                                | 2                     | 14,596                                       |
|                                    |                                    | (9,733)                              |                       | 5,878  |
| (1)                                |                                    | (400)                                |                       | (18,334)                                     |
| 10                                 | 23                                 | (6,654)                              | 2                     | (3,238)                                      |
|                                    |                                    |                                      |                       | 385  |
| (10)                               | (201)                              |                                      | (232)                 | (788)  |
| (10)                               | (201)                              | 0                                    | (232)                 | (2,534)                                      |
| 0                                  | (178)                              | (6,654)                              | (230)                 | (3,322)                                      |
| 110                                | 301                                | 19,449                               | 482                   | 50,330                                       |
| <u>\$ 110</u>                      | <u>\$ 123</u>                      | <u>\$ 12,795</u>                     | <u>\$ 252</u>         | <u>\$ 47,008</u>                             |
| \$                                 | \$                                 | \$                                   | \$                    | \$   |
| 2                                  | 11                                 | (454)                                | 2                     | 4,851  |
|                                    |                                    |                                      |                       | (584)  |
|                                    |                                    |                                      |                       | 2  |
| 9                                  | 11                                 | (5,940)                              |                       | (4,799)                                      |
|                                    | 1                                  | (244)                                |                       | 141  |
|                                    |                                    |                                      |                       | (841)  |
| (1)                                |                                    |                                      |                       | 196  |
|                                    |                                    | (16)                                 |                       | 246  |
| <u>10</u>                          | <u>23</u>                          | <u>(6,654)</u>                       | <u>2</u>              | <u>(788)</u>                                 |
| \$                                 | \$                                 | \$                                   | \$                    | \$   |
| 110                                | 123                                | 12,795                               | 252                   | 47,008                                       |
| <u>\$ 110</u>                      | <u>\$ 123</u>                      | <u>\$ 12,795</u>                     | <u>\$ 252</u>         | <u>\$ 47,008</u>                             |
|                                    |                                    |                                      |                       |  |
| (10)                               | (23)                               |                                      | (2)                   | (2,218)                                      |

STATE OF ALASKA  
 Combining Statement of Net Assets  
 Energy Assistance Enterprise Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 4.21

|                                    | Alternative<br>Energy<br>Revolving Loan | Residential<br>Energy<br>Conservation | Total Energy<br>Assistance<br>Enterprise Funds |
|------------------------------------|---|---------------------------------------|--|
| <b>ASSETS</b>                      |   |                                       |  |
| Current Assets:                    |   |                                       |  |
| Cash and Investments               | \$ 329                                  | \$ 2                                  | \$ 331   |
| Loans, Notes, and Bonds Receivable | 2                                       |                                       | 2  |
| Total Current Assets               | <u>331</u>                              | <u>2</u>                              | <u>333</u>                                     |
| Noncurrent Assets:                 |   |                                       |  |
| Loans, Notes, and Bonds Receivable | 7                                       |                                       | 7  |
| Total Noncurrent Assets            | <u>7</u>                                | <u>0</u>                              | <u>7</u>                                       |
| Total Assets                       | <u>338</u>                              | <u>2</u>                              | <u>340</u>                                     |
| <b>LIABILITIES</b>                 |   |                                       |  |
| Current Liabilities:               |   |                                       |  |
| Due to Other Funds                 | 38                                      |                                       | 38   |
| Total Current Liabilities          | <u>38</u>                               | <u>0</u>                              | <u>38</u>                                      |
| Total Liabilities                  | <u>38</u>                               | <u>0</u>                              | <u>38</u>                                      |
| <b>NET ASSETS</b>                  |   |                                       |  |
| Unrestricted                       | 300                                     | 2                                     | 302  |
| Total Net Assets                   | <u>\$ 300</u>                           | <u>\$ 2</u>                           | <u>\$ 302</u>                                  |

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2005

(Stated in Thousands)

|   | Alternative<br>Energy<br>Revolving Loan | Residential<br>Energy<br>Conservation | Total Energy<br>Assistance<br>Enterprise<br>Funds |
|---|---|---------------------------------------|---|
| <b>OPERATING REVENUES</b>               |   |                                       |   |
| Interest and Investment Income          | \$ 9                                    | \$ 1                                  | \$ 10   |
| Total Operating Revenues                | 9                                       | 1                                     | 10  |
| Operating Income (Loss)                 | 9                                       | 1                                     | 10  |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |   |                                       |   |
| Transfers (Out to) Other Funds          | (33)                                    |                                       | (33)  |
| Change in Net Assets                    | (24)                                    | 1                                     | (23)  |
| Total Net Assets - Beginning of Year    | 324                                     | 1                                     | 325   |
| Total Net Assets - End of Year          | \$ 300                                  | \$ 2                                  | \$ 302  |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Energy Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 4.23

|   | Alternative<br>Energy<br>Revolving Loan | Residential<br>Energy<br>Conservation | Total Energy<br>Assistance<br>Enterprise<br>Funds |
|---|---|---------------------------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                                       |   |
| Receipts of Principal from Loan Recipients  | \$ 20                                   | \$                                    | \$ 20   |
| Receipt of Interest and Fees from Loan Recipients   | 4                                       | 1                                     | 5   |
| Interfund Services Used   | (2)                                     |                                       | (2)   |
| Net Cash Provided (Used) by Operating Activities  | <u>22</u>                               | <u>1</u>                              | <u>23</u>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                                       |   |
| Operating Subsidies and Transfers (Out to) Other Funds  | (10)                                    |                                       | (10)  |
| Net Cash Provided (Used) by Noncapital Financing Activities   | (10)                                    | 0                                     | (10)  |
| Net Increase (Decrease) in Cash   | 12                                      | 1                                     | 13  |
| Cash and Cash Equivalents - Beginning of Year   | 317                                     | 1                                     | 318   |
| Cash and Cash Equivalents - End of Year   | <u>\$ 329</u>                           | <u>\$ 2</u>                           | <u>\$ 331</u>                                     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |   |                                       |   |
| Operating Income (Loss)   | \$ 9                                    | \$ 1                                  | \$ 10   |
| Net Changes in Assets and Liabilities:  |   |                                       |   |
| Loans, Notes and Bonds Receivable - Net   | 15                                      |                                       | 15  |
| Due to Other Funds  | (2)                                     |                                       | (2)   |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 22</u>                            | <u>\$ 1</u>                           | <u>\$ 23</u>                                      |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |   |                                       |   |
| Total Cash and Investments per the Statement of Net Assets  | \$ 329                                  | \$ 2                                  | \$ 331  |
| Cash, End of Year   | <u>\$ 329</u>                           | <u>\$ 2</u>                           | <u>\$ 331</u>                                     |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |   |                                       |   |
| Transfers (Out to) Other Funds (Accrual)  | (33)                                    |                                       | (33)  |





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STATE OF ALASKA  
Combining Statement of Net Assets  
Other Agencies Enterprise Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 4.31

|  | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Unemployment<br>Compensation |
|--|--|--------------------------------|------------------------------|
| <b>ASSETS</b>  |  |                                |                              |
| Current Assets:  |  |                                |                              |
| Cash and Investments                                     | \$ 170   | \$ 3,533                       | \$ 195,633                   |
| Accounts Receivable - Net                                |  | 14                             | 4,325                        |
| Interest and Dividends Receivable                        |  | 163                            |                              |
| Due from Other Funds                                     |  |                                |                              |
| Due from Other Governments                               |  |                                |                              |
| Loans, Notes, and Bonds Receivable                       | 13   | 1,245                          |                              |
| Securities Lending Collateral                            | 1  |                                |                              |
| Total Current Assets                                     | <u>184</u>                                     | <u>4,955</u>                   | <u>199,958</u>               |
| Noncurrent Assets:                                       |  |                                |                              |
| Loans, Notes, and Bonds Receivable                       | 7  | 10,105                         |                              |
| Reposessed Property                                      |  | 3,428                          |                              |
| Investment in Projects, Partnerships,<br>or Corporations |  | 7,986                          |                              |
| Other Noncurrent Assets                                  |  | 396                            |                              |
| Capital Assets:  |  |                                |                              |
| Construction in Progress                                 |  |                                |                              |
| Total Noncurrent Assets                                  | <u>7</u>                                       | <u>21,915</u>                  | <u>0</u>                     |
| Total Assets   | <u>191</u>                                     | <u>26,870</u>                  | <u>199,958</u>               |
| <b>LIABILITIES</b>                                       |  |                                |                              |
| Current Liabilities:                                     |  |                                |                              |
| Accounts Payable and Accrued Liabilities                 |  | 200                            | 6,263                        |
| Obligations Under Securities Lending                     | 1  |                                |                              |
| Due to Other Funds                                       | 2  | 47                             | 355                          |
| Due to Other Governments                                 |  |                                | 5,049                        |
| Claims, Judgements and<br>Compensated Absences           |  | 54                             |                              |
| Other Current Liabilities                                |  | 15                             |                              |
| Total Current Liabilities                                | <u>3</u>                                       | <u>316</u>                     | <u>11,667</u>                |
| Noncurrent Liabilities:                                  |  |                                |                              |
| Other Noncurrent Liabilities                             |  | 18                             | 20                           |
| Total Noncurrent Liabilities                             | <u>0</u>                                       | <u>18</u>                      | <u>20</u>                    |
| Total Liabilities  | <u>3</u>                                       | <u>334</u>                     | <u>11,687</u>                |
| <b>NET ASSETS</b>  |  |                                |                              |
| Invested in Capital Assets,<br>Net of Related Debt       |  |                                |                              |
| Restricted for:  |  |                                |                              |
| Unemployment Compensation                                |  |                                | 188,271                      |
| Other Purposes   | 188  |                                |                              |
| Unrestricted   |  | 26,536                         |                              |
| Total Net Assets   | <u>\$ 188</u>                                  | <u>\$ 26,536</u>               | <u>\$ 188,271</u>            |

STATEMENT 4.31

| Alaska<br>Clean Water | Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Total Other<br>Agencies<br>Enterprise Funds |
|-----------------------|--------------------------|--|---|
| \$ 87,509             | \$ 14,669                | \$                                       | \$ 301,514                                  |
| 999                   | 419                      |  | 4,339                                       |
| 229                   | 202                      |  | 1,581                                       |
| 7                     | 2                        | 1,753                                    | 431   |
| 8,674                 | 1,223                    |  | 1,762                                       |
| 679                   | 113                      |  | 11,155                                      |
| <u>98,097</u>         | <u>16,628</u>            | <u>1,753</u>                             | <u>793</u>                                  |
| 96,834                | 43,980                   |  | 321,575                                     |
|                       |                          |  | 150,926                                     |
|                       |                          |  | 3,428                                       |
|                       |                          |  | 7,986                                       |
|                       |                          |  | 396   |
|                       |                          | 9,625                                    | 9,625                                       |
| <u>96,834</u>         | <u>43,980</u>            | <u>9,625</u>                             | <u>172,361</u>                              |
| <u>194,931</u>        | <u>60,608</u>            | <u>11,378</u>                            | <u>493,936</u>                              |
|                       |                          |  |   |
| 40                    |                          |  | 6,503                                       |
| 679                   | 113                      |  | 793   |
|                       |                          | 1,753                                    | 2,157                                       |
|                       |                          |  | 5,049                                       |
|                       |                          |  | 54  |
|                       |                          |  | 15  |
| <u>719</u>            | <u>113</u>               | <u>1,753</u>                             | <u>14,571</u>                               |
|                       |                          |  | 38  |
| 0                     | 0                        | 0  | 38  |
| <u>719</u>            | <u>113</u>               | <u>1,753</u>                             | <u>14,609</u>                               |
|                       |                          |  |   |
|                       |                          | 9,625                                    | 9,625                                       |
|                       |                          |  | 188,271                                     |
| 194,212               | 60,495                   |  | 254,895                                     |
|                       |                          |  | 26,536                                      |
| <u>\$ 194,212</u>     | <u>\$ 60,495</u>         | <u>\$ 9,625</u>                          | <u>\$ 479,327</u>                           |

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Other Agencies Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2005**  
**(Stated in Thousands)**

**STATEMENT 4.32**

|   | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Unemployment<br>Compensation |
|---|--|--------------------------------|------------------------------|
| <b>OPERATING REVENUES</b>                         |  |                                |                              |
| Premiums and Contributions                        | \$   | \$                             | \$ 148,354                   |
| Charges for Goods and Services                    |  | 43                             |                              |
| Interest and Investment Income                    |  | 569                            |                              |
| Fines and Forfeitures                             |  | 9                              |                              |
| Federal Grants in Aid                             |  | 3                              |                              |
| Total Operating Revenues                          | <u>0</u>                                       | <u>624</u>                     | <u>148,354</u>               |
| <b>OPERATING EXPENSES</b>                         |  |                                |                              |
| Benefits  |  |                                | 143,700                      |
| Operating   | 2  | 342                            |                              |
| Depreciation                                      |  | 90                             |                              |
| Provision for Loan Losses and Forgiveness         |  | (622)                          |                              |
| Other Operating Expenses                          |  |                                | 3,987                        |
| Total Operating Expenses                          | <u>2</u>                                       | <u>(190)</u>                   | <u>147,687</u>               |
| Operating Income (Loss)                           | <u>(2)</u>                                     | <u>814</u>                     | <u>667</u>                   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |  |                                |                              |
| Interest and Investment Income                    | 5  | (14)                           | 10,206                       |
| Interest and Investment Expense                   |  |                                |                              |
| Gain (Loss) on Disposal of Capital Assets         |  | (31)                           |                              |
| Other Nonoperating Revenues (Expenses)            |  | (176)                          |                              |
| Total Nonoperating Revenues (Expenses)            | <u>5</u>                                       | <u>(221)</u>                   | <u>10,206</u>                |
| Income Before Capital Contributions and Transfers | <u>3</u>                                       | <u>593</u>                     | <u>10,873</u>                |
| Capital Contributions                             |  |                                |                              |
| Transfers In from Other Funds                     |  |                                |                              |
| Transfers (Out to) Other Funds                    |  | (650)                          | (2,822)                      |
| Change in Net Assets                              | <u>3</u>                                       | <u>(57)</u>                    | <u>8,051</u>                 |
| Total Net Assets - Beginning of Year              | 185  | 26,593                         | 180,625                      |
| Prior Period Adjustment                           |  |                                | (405)                        |
| Total Net Assets - End of Year                    | <u>\$ 188</u>                                  | <u>\$ 26,536</u>               | <u>\$ 188,271</u>            |

STATEMENT 4.32

| Alaska<br>Clean Water | Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Total Other<br>Agencies<br>Enterprise Funds |
|-----------------------|--------------------------|--|---|
| \$                    | \$                       | \$                                       | \$  |
| 540                   | 137                      |  | 148,354                                     |
| 1,833                 | 596                      |  | 720   |
|                       |                          |  | 2,998                                       |
|                       |                          |  | 9   |
| 219                   | 292                      | 7,440                                    | 7,954                                       |
| 2,592                 | 1,025                    | 7,440                                    | 160,035                                     |
|                       |                          |  | 143,700                                     |
| 206                   | 233                      | 155                                      | 938   |
|                       |                          |  | 90  |
|                       |                          |  | (622)                                       |
| 57                    | 59                       |  | 4,103                                       |
| 263                   | 292                      | 155                                      | 148,209                                     |
| 2,329                 | 733                      | 7,285                                    | 11,826                                      |
| 2,373                 | 448                      |  | 13,018                                      |
| (150)                 | (29)                     |  | (179)                                       |
|                       |                          |  | (31)  |
|                       |                          |  | (176)                                       |
| 2,223                 | 419                      | 0  | 12,632                                      |
| 4,552                 | 1,152                    | 7,285                                    | 24,458                                      |
| 12,019                | 6,261                    |  | 18,280                                      |
|                       | 600                      | 155                                      | 755   |
|                       |                          |  | (3,472)                                     |
| 16,571                | 8,013                    | 7,440                                    | 40,021                                      |
| 177,641               | 52,486                   | 2,185                                    | 439,715                                     |
|                       | (4)                      |  | (409)                                       |
| \$ 194,212            | \$ 60,495                | \$ 9,625                                 | \$ 479,327                                  |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Other Agencies Enterprise Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 4.33

|   | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Unemployment<br>Compensation |
|---|--|--------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                                |                              |
| Receipts from Other Governments   | \$   | \$                             | \$ 937                       |
| Receipts from Customers   |  | 1,356                          |                              |
| Receipts of Principal from Loan Recipients  | 16   | 1,938                          |                              |
| Receipt of Interest and Fees from Loan Recipients   |  | 681                            |                              |
| Receipts from Insured   |  |                                | 149,963                      |
| Payments to Employees   |  | (355)                          |                              |
| Payments to Suppliers   |  | (1,222)                        |                              |
| Payments to Other Governments   |  |                                | 295                          |
| Payments to Loan Recipients   | (16)   | 779                            |                              |
| Claims Paid   |  |                                | (141,280)                    |
| Other Receipts  |  | 14                             |                              |
| Other Payments  |  | (1,839)                        | (4,231)                      |
| Net Cash Provided (Used) by Operating Activities  | <u>0</u>                                       | <u>1,352</u>                   | <u>5,684</u>                 |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |  |                                |                              |
| Operating Subsidies and Transfers (Out to) Other Funds  |  | (650)                          | (2,822)                      |
| Operating Subsidies and Transfers In from Other Funds   |  |                                |                              |
| Federal Grants  |  |                                |                              |
| Proceeds from Issuance of Short-term Debt   |  |                                |                              |
| Payments on Short-term Debt   |  |                                |                              |
| Interest and Fees Paid on Borrowing   |  |                                |                              |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>0</u>                                       | <u>(650)</u>                   | <u>(2,822)</u>               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                                |                              |
| Income from Securities Lending Activities   | (1)  |                                |                              |
| Expenses from Securities Lending Activities   | 1  |                                |                              |
| Interest and Dividends on Investments   | 5  |                                | 10,206                       |
| Net Cash Provided (Used) by Investing Activities  | <u>5</u>                                       | <u>0</u>                       | <u>10,206</u>                |
| Net Increase (Decrease) in Cash   | 5  | 702                            | 13,068                       |
| Cash and Cash Equivalents - Beginning of Year   | 165  | 2,831                          | 182,565                      |
| Cash and Cash Equivalents - End of Year   | <u>\$ 170</u>                                  | <u>\$ 3,533</u>                | <u>\$ 195,633</u>            |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |  |                                |                              |
| Operating Income (Loss)   | \$ (2)   | \$ 814                         | \$ 667                       |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |  |                                |                              |
| Depreciation and Amortization   |  | 90                             |                              |
| Other Reconciling Items   |  | (221)                          |                              |
| Net Changes in Assets and Liabilities:  |  |                                |                              |
| Accounts Receivable - Net   |  | 34                             | 2,230                        |
| Due From Other Funds  |  | 28                             |                              |
| Due From Other Governments  |  |                                | 937                          |
| Loans, Notes and Bonds Receivable - Net   |  | 1,384                          |                              |
| Repossessed Property  |  | (1,990)                        |                              |
| Investment in Projects, Partnerships, or Corporations   |  | 51                             |                              |
| Securities Lending Collateral   | (1)  |                                |                              |
| Interest and Dividends Receivable - Net   |  | 60                             |                              |
| Other Assets  |  | 844                            |                              |
| Due to Other Funds  | 2  | 47                             | (244)                        |
| Due to Other Governments  |  |                                | 295                          |
| Accounts Payable and Accrued Liabilities  |  | 163                            | 2,420                        |
| Obligations Under Securities Lending  | 1  |                                |                              |
| Other Liabilities   |  | 48                             | (621)                        |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 0</u>                                    | <u>\$ 1,352</u>                | <u>\$ 5,684</u>              |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |  |                                |                              |
| Total Cash and Investments per the Statement of Net Assets  | \$ 170   | \$ 3,533                       | \$ 195,633                   |
| Cash, End of Year   | <u>\$ 170</u>                                  | <u>\$ 3,533</u>                | <u>\$ 195,633</u>            |

STATEMENT 4.33

| Alaska<br>Clean Water | Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Total Other<br>Agencies<br>Enterprise Funds |
|-----------------------|--------------------------|--|---|
| \$ 255                | \$ 351                   | \$                                       | \$ 1,543                                    |
|                       |                          |  | 1,356                                       |
| 13,674                | 1,884                    |  | 17,512                                      |
| 2,592                 | 703                      |  | 3,976                                       |
|                       |                          |  | 149,963                                     |
| (206)                 | (233)                    |  | (794)                                       |
| (57)                  | (59)                     |  | (1,338)                                     |
| (14,386)              | (9,256)                  |  | 295   |
|                       |                          |  | (22,879)                                    |
|                       |                          |  | (141,280)                                   |
|                       |                          |  | 14  |
| (157)                 | (145)                    | (155)                                    | (6,527)                                     |
| 1,715                 | (6,755)                  | (155)                                    | 1,841                                       |
|                       |                          |  |   |
|                       |                          |  | (3,472)                                     |
|                       | 600                      | 155                                      | 755   |
| 12,019                | 6,261                    |  | 18,280                                      |
| 1,582                 | 1,020                    |  | 2,602                                       |
| (1,582)               | (1,020)                  |  | (2,602)                                     |
| (2)                   | (1)                      |  | (3)   |
| 12,017                | 6,860                    | 155                                      | 15,560                                      |
|                       |                          |  |   |
| 160                   | 30                       |  | 189   |
| (148)                 | (28)                     |  | (175)                                       |
| 2,213                 | 418                      |  | 12,842                                      |
| 2,225                 | 420                      | 0  | 12,856                                      |
| 15,957                | 525                      | 0  | 30,257                                      |
| 71,552                | 14,144                   |  | 271,257                                     |
| \$ 87,509             | \$ 14,669                | \$ 0                                     | \$ 301,514                                  |
|                       |                          |  |   |
| \$ 2,329              | \$ 733                   | \$ 7,285                                 | \$ 11,826                                   |
|                       |                          |  |   |
|                       |                          |  | 90  |
|                       |                          |  | (221)                                       |
|                       |                          |  | 2,264                                       |
| (157)                 | (145)                    |  | (274)                                       |
| 36                    | 59                       | (1,395)                                  | (363)                                       |
| (749)                 | (7,372)                  |  | (6,737)                                     |
|                       |                          |  | (1,990)                                     |
|                       |                          |  | 51  |
| (679)                 | (113)                    |  | (793)                                       |
| 219                   | (30)                     |  | 249   |
|                       |                          | (7,440)                                  | (6,596)                                     |
|                       |                          | 1,395                                    | 1,200                                       |
|                       |                          |  | 295   |
| 37                    |                          |  | 2,620                                       |
| 679                   | 113                      |  | 793   |
|                       |                          |  | (573)                                       |
| \$ 1,715              | \$ (6,755)               | \$ (155)                                 | \$ 1,841                                    |
|                       |                          |  |   |
| \$ 87,509             | \$ 14,669                | \$ 0                                     | \$ 301,514                                  |
| \$ 87,509             | \$ 14,669                | \$ 0                                     | \$ 301,514                                  |



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# Internal Service Funds

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Internal service funds account for the operations of state agencies which render services to other state agencies, institutions, or other governmental units on a cost-reimbursement basis. The following are the state's internal service funds.

- **Alaska Public Building Fund (Fund 11165)** – AS 37.05.570 – Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of eight state owned buildings. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- **Correctional Industries Fund (Fund 22654)** – AS 33.32.020 – Administered by the Department of Corrections. The fund accounts for correctional industries program activities which include a commercial laundry service and a furniture manufacturing enterprise. The correctional industries program provides employment for inmates at several of the state's correctional institutions. All expenses of the correctional industries program may be financed from the correctional industries fund and budgeted in accordance with the executive budget.
- **Group Health and Life Benefits Fund (Fund 11135)** – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the state began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- **Highways Equipment Working Capital Fund (Fund 22600)** – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- **Information Services Fund (Fund 22500)** – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the state's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.



STATE OF ALASKA  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 4.41

|  | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|--|-----------------------------------|---------------------------|
| <b>ASSETS</b>                                      |                                   |                           |
| Current Assets:                                    |                                   |                           |
| Cash and Investments                               | \$ 27,046                         | \$ 8,713                  |
| Accounts Receivable - Net                          | 34                                |                           |
| Due from Other Funds                               |                                   | 124                       |
| Due from Other Governments                         |                                   |                           |
| Inventories  |                                   |                           |
| Securities Lending Collateral                      | 224                               |                           |
| Other Current Assets                               |                                   |                           |
| Total Current Assets                               | <u>27,304</u>                     | <u>8,837</u>              |
| Noncurrent Assets:                                 |                                   |                           |
| Capital Assets:                                    |                                   |                           |
| Equipment, Net of Depreciation                     |                                   | 5                         |
| Buildings, Net of Depreciation                     |                                   | 32,923                    |
| Total Noncurrent Assets                            | <u>0</u>                          | <u>32,928</u>             |
| Total Assets                                       | <u>27,304</u>                     | <u>41,765</u>             |
| <b>LIABILITIES</b>                                 |                                   |                           |
| Current Liabilities:                               |                                   |                           |
| Accounts Payable and Accrued Liabilities           | 8,498                             | 656                       |
| Obligations Under Securities Lending               | 224                               |                           |
| Due to Other Funds                                 | 20                                |                           |
| Claims, Judgments, and                             |                                   |                           |
| Compensated Absences                               | 7                                 | 53                        |
| Notes, Bonds, and Leases Payable                   |                                   |                           |
| Total Current Liabilities                          | <u>8,749</u>                      | <u>709</u>                |
| Noncurrent Liabilities:                            |                                   |                           |
| Notes, Bonds, and Leases Payable                   |                                   |                           |
| Other Noncurrent Liabilities                       |                                   | 47                        |
| Total Noncurrent Liabilities                       | <u>0</u>                          | <u>47</u>                 |
| Total Liabilities                                  | <u>8,749</u>                      | <u>756</u>                |
| <b>NET ASSETS</b>                                  |                                   |                           |
| Invested in Capital Assets,<br>Net of Related Debt |                                   | 32,928                    |
| Unrestricted                                       | 18,555                            | 8,081                     |
| Total Net Assets                                   | <u>\$ 18,555</u>                  | <u>\$ 41,009</u>          |

STATEMENT 4.41

| Information Services | Highways Equipment Working Capital | Correctional Industries | Total Internal Service Funds |
|----------------------|------------------------------------|-------------------------|------------------------------|
| \$ 9,300             | \$ 12,358                          | \$ 384                  | \$ 57,801                    |
| 25                   | 6                                  |                         | 65                           |
| 17,788               | 1,694                              | 139                     | 19,745                       |
| 12                   |                                    |                         | 12                           |
|                      | 2,647                              | 741                     | 3,388                        |
|                      |                                    |                         | 224                          |
| 922                  | 1                                  |                         | 923                          |
| <u>28,047</u>        | <u>16,706</u>                      | <u>1,264</u>            | <u>82,158</u>                |
|                      |                                    |                         |                              |
| 6,835                | 78,226                             | 125                     | 85,191                       |
|                      | 169                                | 700                     | 33,792                       |
| <u>6,835</u>         | <u>78,395</u>                      | <u>825</u>              | <u>118,983</u>               |
| <u>34,882</u>        | <u>95,101</u>                      | <u>2,089</u>            | <u>201,141</u>               |
|                      |                                    |                         |                              |
| 2,005                | 1,287                              | 89                      | 12,535                       |
|                      |                                    |                         | 224                          |
|                      |                                    |                         | 20                           |
| 822                  | 1,990                              | 43                      | 2,915                        |
| 650                  |                                    |                         | 650                          |
| <u>3,477</u>         | <u>3,277</u>                       | <u>132</u>              | <u>16,344</u>                |
|                      |                                    |                         |                              |
| 508                  |                                    |                         | 508                          |
| 427                  | 640                                | 36                      | 1,150                        |
| 935                  | 640                                | 36                      | 1,658                        |
| <u>4,412</u>         | <u>3,917</u>                       | <u>168</u>              | <u>18,002</u>                |
|                      |                                    |                         |                              |
| 5,677                | 78,395                             | 825                     | 117,825                      |
| 24,793               | 12,789                             | 1,096                   | 65,314                       |
| <u>\$ 30,470</u>     | <u>\$ 91,184</u>                   | <u>\$ 1,921</u>         | <u>\$ 183,139</u>            |

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2005**  
**(Stated in Thousands)**

**STATEMENT 4.42**

|   | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|---|-----------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                         |                                   |                           |
| Premiums and Contributions                        | \$ 59,338                         | \$                        |
| Charges for Goods and Services                    |                                   | 8,412                     |
| Other Operating Revenues                          | 1,268                             | 95                        |
| Total Operating Revenues                          | <u>60,606</u>                     | <u>8,507</u>              |
| <b>OPERATING EXPENSES</b>                         |                                   |                           |
| Benefits  | 50,535                            |                           |
| Operating   | 3,037                             | 8,435                     |
| Depreciation                                      |                                   | 1,897                     |
| Total Operating Expenses                          | <u>53,572</u>                     | <u>10,332</u>             |
| Operating Income (Loss)                           | <u>7,034</u>                      | <u>(1,825)</u>            |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                                   |                           |
| Interest and Investment Income                    | 702                               | 40                        |
| Interest and Investment Expense                   |                                   |                           |
| Gain (Loss) on Disposal of Capital Assets         |                                   |                           |
| Other Nonoperating Revenues (Expenses)            |                                   |                           |
| Total Nonoperating Revenues (Expenses)            | <u>702</u>                        | <u>40</u>                 |
| Income Before Capital Contributions and Transfers | <u>7,736</u>                      | <u>(1,785)</u>            |
| Capital Contributions                             |                                   |                           |
| Transfers In from Other Funds                     |                                   | 692                       |
| Transfers (Out to) Other Funds                    |                                   | (1,223)                   |
| Change in Net Assets                              | <u>7,736</u>                      | <u>(2,316)</u>            |
| Total Net Assets - Beginning of Year              | 10,819                            | 43,110                    |
| Prior Period Adjustment                           |                                   | 215                       |
| Total Net Assets - End of Year                    | <u>\$ 18,555</u>                  | <u>\$ 41,009</u>          |

STATEMENT 4.42

| Information<br>Services | Highways<br>Equipment<br>Working Capital | Correctional<br>Industries | Total Internal<br>Service<br>Funds |
|-------------------------|--|----------------------------|------------------------------------|
| \$ 27,853               | \$ 37,338                                | \$ 1,501                   | \$ 59,338                          |
| 27,853                  | 37,338                                   | 14                         | 75,104                             |
| <u>27,853</u>           | <u>37,338</u>                            | <u>1,515</u>               | <u>135,819</u>                     |
| 29,016                  | 24,390                                   | 1,848                      | 50,535                             |
| 3,002                   | 10,493                                   | 50                         | 66,726                             |
| <u>32,018</u>           | <u>34,883</u>                            | <u>1,898</u>               | <u>132,703</u>                     |
| <u>(4,165)</u>          | <u>2,455</u>                             | <u>(383)</u>               | <u>3,116</u>                       |
| (52)                    | (123)                                    |                            | 742                                |
|                         | (7)                                      |                            | (175)                              |
|                         | 235                                      |                            | (7)                                |
| <u>(52)</u>             | <u>105</u>                               | <u>0</u>                   | <u>235</u>                         |
| <u>(4,217)</u>          | <u>2,560</u>                             | <u>(383)</u>               | <u>795</u>                         |
|                         | 2,077                                    |                            | 3,911                              |
| 21,254                  |  |                            | 2,077                              |
|                         |  |                            | 21,946                             |
|                         |  |                            | (1,223)                            |
| <u>17,037</u>           | <u>4,637</u>                             | <u>(383)</u>               | <u>26,711</u>                      |
| 13,433                  | 86,547                                   | 2,304                      | 156,213                            |
|                         |  |                            | 215                                |
| <u>\$ 30,470</u>        | <u>\$ 91,184</u>                         | <u>\$ 1,921</u>            | <u>\$ 183,139</u>                  |

STATE OF ALASKA  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2005**  
**(Stated in Thousands)**

STATEMENT 4.43

|   | Group Health<br>and Life Benefits | Alaska Public<br>Building | Information<br>Services |
|---|-----------------------------------|---------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                   |                           |                         |
| Receipts from Other Governments   | \$                                | \$                        | \$ 197                  |
| Receipts from Customers   |                                   | 8,411                     | 13,454                  |
| Receipts from Insured   | 59,347                            |                           |                         |
| Payments to Employees   | (92)                              | (821)                     | (7,751)                 |
| Payments to Suppliers   | (2,902)                           | (7,625)                   | (21,733)                |
| Claims Paid   | (50,859)                          |                           |                         |
| Other Receipts  | 1,268                             | 95                        |                         |
| Other Payments  |                                   | 620                       |                         |
| Net Cash Provided (Used) by Operating Activities  | 6,762                             | 680                       | (15,833)                |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                                   |                           |                         |
| Operating Subsidies and Transfers (Out to) Other Funds  |                                   | (1,223)                   |                         |
| Operating Subsidies and Transfers In from Other Funds   |                                   | 692                       | 21,254                  |
| Net Cash Provided (Used) by Noncapital Financing Activities   | 0                                 | (531)                     | 21,254                  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |                                   |                           |                         |
| Proceeds from Sale of Capital Assets  |                                   | (526)                     | 69                      |
| Acquisition and Construction of Capital Assets  |                                   | (198)                     | (346)                   |
| Principal Paid on Capital Debt  |                                   |                           | (953)                   |
| Interest and Fees Paid on Capital Debt  |                                   |                           | (52)                    |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                  | 0                                 | (724)                     | (1,282)                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                   |                           |                         |
| Interest and Dividends on Investments   | 702                               | 40                        |                         |
| Net Cash Provided (Used) by Investing Activities  | 702                               | 40                        | 0                       |
| Net Increase (Decrease) in Cash   | 7,464                             | (535)                     | 4,139                   |
| Cash and Cash Equivalents - Beginning of Year   | 19,582                            | 9,248                     | 5,161                   |
| Cash and Cash Equivalents - End of Year   | \$ 27,046                         | \$ 8,713                  | \$ 9,300                |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                                   |                           |                         |
| Operating Income (Loss)   | \$ 7,034                          | \$ (1,825)                | \$ (4,165)              |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                                   |                           |                         |
| Depreciation and Amortization   |                                   | 1,897                     | 3,002                   |
| Net Changes in Assets and Liabilities:  |                                   |                           |                         |
| Accounts Receivable - Net   | 9                                 |                           | 220                     |
| Due From Other Funds  |                                   |                           | (14,415)                |
| Due From Component Units  |                                   |                           | (7)                     |
| Due From Other Governments  |                                   |                           |                         |
| Securities Lending Collateral   | 47                                |                           |                         |
| Inventories   |                                   |                           | 224                     |
| Other Assets  |                                   | 274                       | 167                     |
| Due to Other Funds  | 5                                 | (43)                      |                         |
| Accounts Payable and Accrued Liabilities  | (286)                             | 330                       | (1,286)                 |
| Obligations Under Securities Lending  | (47)                              |                           |                         |
| Other Liabilities   |                                   | 47                        | 427                     |
| Net Cash Provided (Used) by Operating Activities  | \$ 6,762                          | \$ 680                    | \$ (15,833)             |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |                                   |                           |                         |
| Total Cash and Investments per the Statement of Net Assets  | \$ 27,046                         | \$ 8,713                  | \$ 9,300                |
| Cash, End of Year   | \$ 27,046                         | \$ 8,713                  | \$ 9,300                |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                                   |                           |                         |
| Contributed Capital Assets  |                                   |                           |                         |
| Acquisition of Capital Assets through Capital Lease   |                                   |                           | 792                     |

STATEMENT 4.43

| Highways<br>Equipment<br>Working Capital | Correctional<br>Industries | Total Internal<br>Service<br>Funds |
|--|----------------------------|------------------------------------|
| \$ 40,450                                | \$ 2,417                   | \$ 197                             |
| (11,858)                                 | (746)                      | 64,732                             |
| (9,869)                                  | (1,367)                    | 59,347                             |
|  | 14                         | (21,268)                           |
| (2,235)                                  |                            | (43,496)                           |
| 16,488                                   | 318                        | (50,859)                           |
|  |                            | 1,377                              |
|  |                            | (1,615)                            |
|  |                            | 8,415                              |
|  |                            | (1,223)                            |
|  |                            | 21,946                             |
| 0  | 0                          | 20,723                             |
|  |                            |                                    |
| 1,300                                    |                            | 843                                |
| (8,889)                                  |                            | (9,433)                            |
| (3,386)                                  |                            | (4,339)                            |
| (167)                                    |                            | (219)                              |
| (11,142)                                 | 0                          | (13,148)                           |
|  |                            | 742                                |
| 0  | 0                          | 742                                |
| 5,346                                    | 318                        | 16,732                             |
| 7,012                                    | 66                         | 41,069                             |
| \$ 12,358                                | \$ 384                     | \$ 57,801                          |
|  |                            |                                    |
| \$ 2,455                                 | \$ (383)                   | \$ 3,116                           |
|  |                            |                                    |
| 10,493                                   | 51                         | 15,443                             |
| 299                                      | 88                         | 616                                |
| 2,814                                    | 823                        | (10,778)                           |
|  | 5                          | 5                                  |
|  |                            | (7)                                |
|  |                            | 47                                 |
| (122)                                    | (109)                      | (7)                                |
|  |                            | 441                                |
|  |                            | (38)                               |
| (91)                                     | (193)                      | (1,526)                            |
|  |                            | (47)                               |
| 640                                      | 36                         | 1,150                              |
| \$ 16,488                                | \$ 318                     | \$ 8,415                           |
|  |                            |                                    |
| \$ 12,358                                | \$ 384                     | \$ 57,801                          |
| \$ 12,358                                | \$ 384                     | \$ 57,801                          |
|  |                            |                                    |
| 2,077                                    |                            | 2,077                              |
|  |                            | 792                                |



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# Fiduciary Funds

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Trust and agency funds are fiduciary in nature and are maintained to account for assets held by the state acting in the capacity as a trustee or agent. The following are the state's trust and agency funds.

## PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

- **Alaska National Guard and Alaska Naval Militia Retirement System (Fund 35030)** – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- **Deferred Compensation (Fund 32014)** – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the state's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- **Judicial Retirement System (Fund 35025)** – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- **Public Employees' Retirement System (Fund 35010)** – AS 39.35.020 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- **Retiree Health (Fund 11159)** – AS 26.05.020, AS 22.25.048, AS 39.35.020, AS 14.25.010 – Administered by the Department of Administration. The state began a self-insurance program to provide health care coverage for retirees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for retirees and accounts for transactions pertaining to the self-insurance program.
- **Supplemental Benefits System (Fund 35041)** – AS 39.30.150 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Supplemental Benefits System.
- **Teachers' Retirement System (Fund 35020)** – AS 14.25.010 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Teachers' Retirement System.

## AGENCY FUNDS

- **Deposits, Suspense, and Miscellaneous (Fund 32005)** – Administered by the Department of Administration. This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds, or until there is a proper authorization to disburse them directly to others.
- **Exxon Valdez Oil Spill Investment Trust Fund (Fund 32025)** – PL 106-113 – Administered by the Exxon Valdez Oil Spill (EVOS) Trustee Council. Consists of assets of a joint federal/state trust fund established to receive, hold, disburse and manage all natural resource damage recoveries obtained by the United States government and the State of Alaska under the Clean Water Act, arising out of the Exxon Valdez oil spill.
- **Impact Aid (Fund 32017)** – PL 103-382 – Administered by the Department of Education and Early Development. These monies are received from the federal government and are distributed to the local school districts. The funds provide financial assistance to local school districts where enrollment or availability of revenue is adversely affected by federal activities.

- **Public Advocacy Trust Fund (Fund 32012)** – AS 44.21.410 – Administered by the Department of Administration. The Public Advocacy Trust Fund holds in trust funds for individuals under the guardianship of the Office of Public Advocacy.
- **Wage and Hour (Fund 32011)** – Administered by the Department of Labor and Workforce Development. This fund was established to account for receipts and disbursements for wage and hour violations.



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STATE OF ALASKA  
Combining Statement of Fiduciary Net Assets  
Pension and Other Employee Benefit Trust Funds  
June 30, 2005  
(Stated in Thousands)

STATEMENT 5.01

|   | Retiree<br>Health | Deferred<br>Compensation | Supplemental<br>Benefits |
|---|-------------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                   |                          |                          |
| Cash and Cash Equivalents                         | \$ 62,006         | \$ 5,564                 | \$ 1,574                 |
| Investments                                       | 222,680           | 447,031                  | 1,916,021                |
| Investment Loss Trust Fund Assets                 |                   |                          | 1,619                    |
| Contributions Receivable                          | 274               | 1,674                    | 5,257                    |
| Securities Lending Collateral                     | 14,383            |                          |                          |
| Other Assets                                      |                   |                          |                          |
| Total Assets                                      | 299,343           | 454,269                  | 1,924,471                |
| <b>LIABILITIES</b>                                |                   |                          |                          |
| Accounts Payable and Accrued Liabilities          | 47,022            |                          | 2,429                    |
| Obligations Under Securities Lending              | 14,383            |                          |                          |
| Due to Other Funds                                | 1,642             |                          |                          |
| Total Liabilities                                 | 63,047            | 0                        | 2,429                    |
| <b>NET ASSETS</b>                                 |                   |                          |                          |
| Held in Trust for:                                |                   |                          |                          |
| Pension Benefits                                  |                   |                          |                          |
| Postemployment Healthcare Benefits                | 236,296           |                          |                          |
| Individuals, Organizations, and Other Governments |                   | 454,269                  | 1,922,042                |
| Total Net Assets                                  | \$ 236,296        | \$ 454,269               | \$ 1,922,042             |

STATEMENT 5.01

| Public<br>Employees'<br>Retirement | Teachers'<br>Retirement | Judicial<br>Retirement | Alaska National<br>Guard and Alaska<br>Naval Militia<br>Retirement | Total Pension<br>and Other<br>Employee Benefit<br>Trust Funds |
|------------------------------------|-------------------------|------------------------|--|---|
| \$ 654                             | \$ 585                  | \$ 103                 | \$ 24  | \$ 70,510   |
| 8,585,886                          | 4,025,717               | 73,570                 | 14,576   | 15,285,481  |
| 11,621                             | 4,110                   | 116                    |  | 1,619   |
| 659,801                            | 308,847                 | 6,146                  | 1,573  | 23,052  |
| 2                                  |                         |                        |  | 990,750   |
| 9,257,964                          | 4,339,259               | 79,935                 | 16,173   | 2   |
|                                    |                         |                        |  | 16,371,414  |
| 6,541                              | 2,870                   | 56                     | 62   | 58,980  |
| 659,801                            | 308,847                 | 6,146                  | 1,573  | 990,750   |
| 870                                | 547                     | 28                     | 32   | 3,119   |
| 667,212                            | 312,264                 | 6,230                  | 1,667  | 1,052,849   |
|                                    |                         |                        |  |   |
| 6,122,064                          | 3,239,727               | 71,750                 | 14,506   | 9,448,047   |
| 2,468,688                          | 787,268                 | 1,955                  |  | 3,494,207   |
|                                    |                         |                        |  | 2,376,311   |
| \$ 8,590,752                       | \$ 4,026,995            | \$ 73,705              | \$ 14,506  | \$ 15,318,565   |

STATE OF ALASKA  
Combining Statement of Changes in Fiduciary Net Assets  
Pension and Other Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 5.02

|   | Retiree<br>Health | Deferred<br>Compensation | Supplemental<br>Benefits |
|---|-------------------|--------------------------|--------------------------|
| <b>ADDITIONS</b>                                  |                   |                          |                          |
| Premiums and Contributions:                       |                   |                          |                          |
| Employer  | \$ 279,111        | \$ 32,965                | \$ 52,944                |
| Member  | 36,000            | 32,965                   | 57,699                   |
| Other   | 4,111             |                          |                          |
| Total Premiums and Contributions                  | <u>319,222</u>    | <u>32,965</u>            | <u>110,643</u>           |
| Investment Income:                                |                   |                          |                          |
| Net Appreciation (Depreciation) in Fair           |                   |                          |                          |
| Value of Investments                              | 5,715             | 34,942                   | 99,162                   |
| Interest  | 7,638             | 4,744                    | 744                      |
| Dividends   | 1,398             |                          |                          |
| Total Investment Income                           | <u>14,751</u>     | <u>39,686</u>            | <u>99,906</u>            |
| Less Investment Expense                           | 609               |                          |                          |
| Net Investment Income                             | <u>14,142</u>     | <u>39,686</u>            | <u>99,906</u>            |
| Other Additions                                   |                   |                          |                          |
| Total Additions                                   | <u>333,364</u>    | <u>72,651</u>            | <u>210,549</u>           |
| <b>DEDUCTIONS</b>                                 |                   |                          |                          |
| Benefits Paid                                     | 259,433           | 30,105                   | 133,637                  |
| Insurance Premiums                                |                   |                          | 4,741                    |
| Refunds of Premiums and Contributions             |                   |                          |                          |
| Administrative Expenses                           | 11,593            | 676                      | 2,458                    |
| Total Deductions                                  | <u>271,026</u>    | <u>30,781</u>            | <u>140,836</u>           |
| Net Increase (Decrease) in Net Assets Held in     |                   |                          |                          |
| Trust for:  |                   |                          |                          |
| Pension Benefits                                  |                   |                          |                          |
| Postemployment Healthcare Benefits                | 62,338            |                          |                          |
| Individuals, Organizations, and Other Governments |                   | 41,870                   | 69,713                   |
| Net Assets - Beginning of the Year                | 173,958           | 412,399                  | 1,852,329                |
| Net Assets - End of the Year                      | <u>\$ 236,296</u> | <u>\$ 454,269</u>        | <u>\$ 1,922,042</u>      |

STATEMENT 5.02

| Public Employees' Retirement | Teachers' Retirement | Judicial Retirement | Alaska National Guard and Alaska Naval Militia Retirement | Total Pension and Other Employee Benefit Trust Funds |
|------------------------------|----------------------|---------------------|---|--|
| \$ 178,205                   | \$ 93,540            | \$ 2,147            | \$ 1,997  | \$ 607,944   |
| 114,640                      | 55,993               | 335                 |   | 297,632  |
|                              |                      |                     |   | 4,111  |
| <u>292,845</u>               | <u>149,533</u>       | <u>2,482</u>        | <u>1,997</u>  | <u>909,687</u>                                       |
| 459,127                      | 218,103              | 3,592               | 486   | 821,127  |
| 124,475                      | 58,617               | 1,094               | 440   | 197,752  |
| 140,550                      | 66,258               | 1,242               | 121   | 209,569  |
| 724,152                      | 342,978              | 5,928               | 1,047   | 1,228,448  |
| 31,849                       | 15,552               | 359                 | 98  | 48,467   |
| 692,303                      | 327,426              | 5,569               | 949   | 1,179,981  |
| 3                            | 10                   |                     |   | 13   |
| <u>985,151</u>               | <u>476,969</u>       | <u>8,051</u>        | <u>2,946</u>  | <u>2,089,681</u>                                     |
| 550,112                      | 355,084              | 4,780               | 1,745   | 1,334,896  |
|                              |                      |                     |   | 4,741  |
| 16,587                       | 4,376                |                     |   | 20,963   |
| 5,006                        | 2,029                | 22                  | 86  | 21,870   |
| <u>571,705</u>               | <u>361,489</u>       | <u>4,802</u>        | <u>1,831</u>  | <u>1,382,470</u>                                     |
| 241,621                      | 74,920               | 3,098               | 1,115   | 320,754  |
| 171,825                      | 40,560               | 151                 |   | 274,874  |
|                              |                      |                     |   | 111,583  |
| 8,177,306                    | 3,911,515            | 70,456              | 13,391  | 14,611,354   |
| <u>\$ 8,590,752</u>          | <u>\$ 4,026,995</u>  | <u>\$ 73,705</u>    | <u>\$ 14,506</u>  | <u>\$ 15,318,565</u>                                 |

STATE OF ALASKA  
 Combining Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2005  
 (Stated in Thousands)

STATEMENT 5.11

|  | Deposits,<br>Suspense, and<br>Miscellaneous | Wage and<br>Hour |
|--|---|------------------|
| <b>ASSETS</b>                            |   |                  |
| Cash and Cash Equivalents                | \$ 111,467                                  | \$ 38            |
| Investments                              |   |                  |
| Due from Other Funds                     | 2,299                                       |                  |
| Total Assets                             | <u>\$ 113,766</u>                           | <u>\$ 38</u>     |
| <b>LIABILITIES</b>                       |   |                  |
| Accounts Payable and Accrued Liabilities | \$ 2,942                                    | \$ 2             |
| Trust Deposits Payable                   | 110,824                                     | 36               |
| Due to Other Funds                       |   | 0                |
| Total Liabilities                        | <u>\$ 113,766</u>                           | <u>\$ 38</u>     |



STATEMENT 5.11

| Public<br>Advocacy | Exxon Valdez<br>Oil Spill<br>Investment | Impact Aid<br>PL 103-382 | Total<br>Agency<br>Funds |
|--------------------|---|--------------------------|--------------------------|
| \$ 8,062           | \$ 179,150                              | \$ 33                    | \$ 119,600               |
|                    |   |                          | 179,150                  |
|                    |   |                          | 2,299                    |
| <u>\$ 8,062</u>    | <u>\$ 179,150</u>                       | <u>\$ 33</u>             | <u>\$ 301,049</u>        |
|                    |   |                          |                          |
| \$ 8,062           | \$ 179,150                              | \$ 21                    | \$ 2,944                 |
|                    |   | 12                       | 298,093                  |
|                    |   | 12                       | 12                       |
| <u>\$ 8,062</u>    | <u>\$ 179,150</u>                       | <u>\$ 33</u>             | <u>\$ 301,049</u>        |

STATE OF ALASKA  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended June 30, 2005  
 (Stated in Thousands)

STATEMENT 5.12

|  | Balance<br>July 1, 2004 | Additions         | Deductions        | Balance<br>June 30, 2005 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| <u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u> |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 70,956               | \$ 113,449        | \$ 72,938         | \$ 111,467               |
| Due from Other Funds                         | 2,236                   | 2,299             | 2,236             | 2,299                    |
| Total Assets                                 | <u>\$ 73,192</u>        | <u>\$ 115,748</u> | <u>\$ 75,174</u>  | <u>\$ 113,766</u>        |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities     | \$ 3,240                | \$ 28,095         | \$ 28,393         | \$ 2,942                 |
| Trust Deposits Payable                       | 69,952                  | 114,388           | 73,516            | 110,824                  |
| Total Liabilities                            | <u>\$ 73,192</u>        | <u>\$ 142,483</u> | <u>\$ 101,909</u> | <u>\$ 113,766</u>        |
| <u>WAGE AND HOUR</u>                         |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 54                   | \$ 140            | \$ 156            | \$ 38                    |
| Total Assets                                 | <u>\$ 54</u>            | <u>\$ 140</u>     | <u>\$ 156</u>     | <u>\$ 38</u>             |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities     | \$ 6                    | \$ 153            | \$ 157            | \$ 2                     |
| Trust Deposits Payable                       | 47                      | 144               | 155               | 36                       |
| Due to Other Funds                           | 1                       |                   | 1                 | 0                        |
| Total Liabilities                            | <u>\$ 54</u>            | <u>\$ 297</u>     | <u>\$ 313</u>     | <u>\$ 38</u>             |
| <u>PUBLIC ADVOCACY</u>                       |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 6,726                | \$ 12,894         | \$ 11,558         | \$ 8,062                 |
| Total Assets                                 | <u>\$ 6,726</u>         | <u>\$ 12,894</u>  | <u>\$ 11,558</u>  | <u>\$ 8,062</u>          |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Trust Deposits Payable                       | \$ 6,726                | \$ 4,673          | \$ 3,337          | \$ 8,062                 |
| Total Liabilities                            | <u>\$ 6,726</u>         | <u>\$ 4,673</u>   | <u>\$ 3,337</u>   | <u>\$ 8,062</u>          |
| <u>EXXON VALDEZ</u>                          |                         |                   |                   |                          |
| <u>OIL SPILL INVESTMENT</u>                  |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Investments                                  | \$ 170,755              | \$ 23,728         | \$ 15,333         | \$ 179,150               |
| Total Assets                                 | <u>\$ 170,755</u>       | <u>\$ 23,728</u>  | <u>\$ 15,333</u>  | <u>\$ 179,150</u>        |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Trust Deposits Payable                       | \$ 170,755              | \$ 23,728         | \$ 15,333         | \$ 179,150               |
| Total Liabilities                            | <u>\$ 170,755</u>       | <u>\$ 23,728</u>  | <u>\$ 15,333</u>  | <u>\$ 179,150</u>        |

This statement continued on the next page.

STATE OF ALASKA  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 5.12

|  | Balance<br>July 1, 2004 | Additions         | Deductions        | Balance<br>June 30, 2005 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| <u>IMPACT AID PL 103-382</u>             |                         |                   |                   |                          |
| <b>ASSETS</b>                            |                         |                   |                   |                          |
| Cash and Cash Equivalents                | \$ 3,320                | \$ 31,098         | \$ 34,385         | \$ 33                    |
| Total Assets                             | <u>\$ 3,320</u>         | <u>\$ 31,098</u>  | <u>\$ 34,385</u>  | <u>\$ 33</u>             |
| <b>LIABILITIES</b>                       |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities | \$ 1,391                | \$ 1,391          | \$ 2,782          | \$ 0                     |
| Trust Deposits Payable                   | 1,929                   | 31,623            | 33,531            | 21                       |
| Due to Other Funds                       |                         | 12                |                   | 12                       |
| Total Liabilities                        | <u>\$ 3,320</u>         | <u>\$ 33,026</u>  | <u>\$ 36,313</u>  | <u>\$ 33</u>             |
| <u>TOTAL AGENCY FUNDS</u>                |                         |                   |                   |                          |
| <b>ASSETS</b>                            |                         |                   |                   |                          |
| Cash and Cash Equivalents                | \$ 81,056               | \$ 157,581        | \$ 119,037        | \$ 119,600               |
| Investments                              | 170,755                 | 23,728            | 15,333            | 179,150                  |
| Due from Other Funds                     | 2,236                   | 2,299             | 2,236             | 2,299                    |
| Total Assets                             | <u>\$ 254,047</u>       | <u>\$ 183,608</u> | <u>\$ 136,606</u> | <u>\$ 301,049</u>        |
| <b>LIABILITIES</b>                       |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities | \$ 4,637                | \$ 29,639         | \$ 31,332         | \$ 2,944                 |
| Trust Deposits Payable                   | 249,409                 | 174,556           | 125,872           | 298,093                  |
| Due to Other Funds                       | 1                       | 12                | 1                 | 12                       |
| Total Liabilities                        | <u>\$ 254,047</u>       | <u>\$ 204,207</u> | <u>\$ 157,205</u> | <u>\$ 301,049</u>        |



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# Nonmajor Component Units

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A description of the individual Component Units is contained in the notes to the financial statements, Note 1A.



STATE OF ALASKA  
Combining Statement of Net Assets  
Nonmajor Component Units  
June 30, 2005  
(Stated in Thousands)

STATEMENT 6.01

|  | Alaska Municipal<br>Bond Bank<br>Authority | Alaska<br>Student Loan<br>Corporation | Alaska<br>Railroad<br>Corporation |
|--|--|---------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                      |  |                                       |                                   |
| Cash and Investments                               | \$ 53,137                                  | \$ 41,809                             | \$ 10,222                         |
| Accounts Receivable - Net                          |  |                                       | 29,532                            |
| Interest and Dividends Receivable                  | 9,092                                      | 155                                   |                                   |
| Due from Primary Government                        |  |                                       |                                   |
| Due from Component Units                           |  |                                       |                                   |
| Due from Other Governments                         |  |                                       |                                   |
| Loans, Notes, and Bonds Receivable                 | 398,983                                    |                                       |                                   |
| Inventories  |  |                                       | 16,477                            |
| Securities Lending Collateral                      |  | 131                                   |                                   |
| Restricted Assets                                  |  | 913,400                               | 2,829                             |
| Other Assets                                       |  |                                       | 7,423                             |
| Capital Assets:                                    |  |                                       |                                   |
| Equipment, Net of Depreciation                     |  |                                       | 93,427                            |
| Buildings, Net of Depreciation                     |  |                                       | 1,393                             |
| Infrastructure, Net of Depreciation                |  |                                       | 177,760                           |
| Land   |  |                                       | 19,587                            |
| Construction in Progress                           |  |                                       | 156,926                           |
| Total Assets                                       | <u>461,212</u>                             | <u>955,495</u>                        | <u>515,576</u>                    |
| <b>LIABILITIES</b>                                 |  |                                       |                                   |
| Accounts Payable and Accrued Liabilities           | 149  | 667                                   | 16,140                            |
| Obligations Under Securities Lending               |  | 131                                   |                                   |
| Due to Primary Government                          | 402  | 137,820                               |                                   |
| Due to Component Units                             |  |                                       |                                   |
| Due to Other Governments                           |  |                                       |                                   |
| Interest Payable                                   | 8,664                                      | 10,073                                |                                   |
| Other Current Liabilities                          |  | 183                                   |                                   |
| Long-term Liabilities:                             |  |                                       |                                   |
| Portion Due or Payable Within One Year:            |  |                                       |                                   |
| Claims, Judgments, and<br>Compensated Absences     |  |                                       |                                   |
| Unearned and Deferred Revenue                      | 3,510                                      | 4,950                                 | 5,376                             |
| Notes, Bonds, and Leases Payable                   | 26,485                                     | 53,475                                | 3,050                             |
| Other Long-term Debt                               | 5,400                                      |                                       |                                   |
| Portion Due or Payable After One Year:             |  |                                       |                                   |
| Unearned and Deferred Revenue                      |  |                                       | 292,959                           |
| Notes, Bonds, and Leases Payable                   | 371,920                                    | 578,943                               | 27,446                            |
| Other Long-term Debt                               | 5,606                                      |                                       |                                   |
| Other Noncurrent Liabilities                       |  | 385                                   | 20,355                            |
| Total Liabilities                                  | <u>422,136</u>                             | <u>786,627</u>                        | <u>365,326</u>                    |
| <b>NET ASSETS</b>                                  |  |                                       |                                   |
| Invested in Capital Assets,<br>Net of Related Debt |  |                                       | 136,500                           |
| Restricted for:                                    |  |                                       |                                   |
| Permanent Funds                                    |  |                                       |                                   |
| Nonexpendable                                      |  |                                       |                                   |
| Expendable   |  |                                       |                                   |
| Education  |  | 135,614                               |                                   |
| Debt Service                                       | 26,839                                     |                                       |                                   |
| Other Purposes                                     |  |                                       | 13,750                            |
| Unrestricted                                       | 12,237                                     | 33,254                                |                                   |
| Total Net Assets                                   | <u>\$ 39,076</u>                           | <u>\$ 168,868</u>                     | <u>\$ 150,250</u>                 |

STATEMENT 6.01

| Alaska Energy Authority | Alaska Aerospace Development Corporation | Alaska Mental Health Trust Authority | Alaska Natural Gas Development Authority | Total Nonmajor Component Units |
|-------------------------|--|--------------------------------------|--|--------------------------------|
| \$ 257,940              | \$ 33,593                                | \$ 423,280                           | \$                                       | \$ 819,981                     |
| 553                     |  | 6,235                                |  | 36,320                         |
| 1,316                   |  | 1,668                                |  | 12,231                         |
|                         |  |                                      | 104                                      | 104                            |
| 156                     |  |                                      |  | 156                            |
| 6,581                   | 2,725                                    |                                      |  | 9,306                          |
| 23,927                  |  | 3,568                                |  | 426,478                        |
|                         | 132                                      |                                      |  | 16,609                         |
| 11,231                  | 3  | 55,891                               |  | 67,256                         |
|                         |  |                                      |  | 916,229                        |
|                         |  | 2                                    |  | 7,425                          |
|                         | 18,863                                   |                                      |  | 112,290                        |
|                         | 27,466                                   | 556                                  |  | 29,415                         |
| 273,321                 | 6,445                                    |                                      |  | 457,526                        |
|                         |  | 2,179                                |  | 21,766                         |
|                         | 14,196                                   |                                      |  | 171,122                        |
| <u>575,025</u>          | <u>103,423</u>                           | <u>493,379</u>                       | <u>104</u>                               | <u>3,104,214</u>               |
| 11,938                  | 4,387                                    | 16,566                               |  | 49,847                         |
| 11,231                  | 3  | 55,891                               |  | 67,256                         |
| 1,170                   | 132                                      | 834                                  |  | 140,358                        |
| 1,000                   |  |                                      |  | 1,000                          |
| 22                      |  |                                      |  | 22                             |
| 3,304                   |  |                                      |  | 22,041                         |
|                         |  | 712                                  |  | 895                            |
|                         | 390                                      | 240                                  |  | 630                            |
|                         |  | 478                                  |  | 14,314                         |
| 5,665                   |  |                                      |  | 88,675                         |
|                         |  |                                      |  | 5,400                          |
|                         | 27,418                                   | 3,407                                |  | 323,784                        |
| 125,485                 |  |                                      |  | 1,103,794                      |
|                         |  |                                      |  | 5,606                          |
| 566                     |  | 119                                  |  | 21,425                         |
| <u>160,381</u>          | <u>32,330</u>                            | <u>78,247</u>                        | <u>0</u>                                 | <u>1,845,047</u>               |
| 142,171                 | 66,970                                   | 2,735                                |  | 348,376                        |
|                         |  | 341,992                              |  | 341,992                        |
|                         |  | 70,405                               |  | 70,405                         |
|                         |  |                                      |  | 135,614                        |
| 22,025                  |  |                                      |  | 48,864                         |
| 23,392                  |  |                                      |  | 37,142                         |
| 227,056                 | 4,123                                    |                                      | 104                                      | 276,774                        |
| <u>\$ 414,644</u>       | <u>\$ 71,093</u>                         | <u>\$ 415,132</u>                    | <u>\$ 104</u>                            | <u>\$ 1,259,167</u>            |

STATE OF ALASKA  
Combining Statement of Activities  
Nonmajor Component Units  
For the Fiscal Year Ended June 30, 2005  
(Stated in Thousands)

STATEMENT 6.02

| FUNCTIONS/PROGRAMS                       | Expenses          | Program Revenues                               |                                    |                                  |
|--|-------------------|--|------------------------------------|----------------------------------|
|  |                   | Charges for Services, Royalties and Other Fees | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Nonmajor Component Units:</b>         |                   |  |                                    |                                  |
| Alaska Municipal Bond Bank Authority     | \$ 17,982         | \$   | \$                                 | \$                               |
| Alaska Student Loan Corporation          | 127,802           | 33,997   |                                    |                                  |
| Alaska Railroad Corporation              | 116,423           | 116,601  | 4,782                              | 7,706                            |
| Alaska Energy Authority                  | 86,813            | 18,460   | 45,394                             |                                  |
| Alaska Aerospace Development Corporation | 19,888            | 16,915   |                                    | 13,954                           |
| Alaska Mental Health Trust Authority     | 14,687            | 16,622   | 26,210                             | 7,653                            |
| Alaska Natural Gas Development Authority | 1,013             |  |                                    |                                  |
| Total Nonmajor Component Units           | <u>\$ 384,608</u> | <u>\$ 202,595</u>                              | <u>\$ 76,386</u>                   | <u>\$ 29,313</u>                 |

|   |
|---|
| General Revenues:                           |
| Interest and Investment Income              |
| Payments In from Primary Government         |
| Total General Revenues and Special Revenues |
| Change in Net Assets                        |
| Net Assets - Beginning of Year              |
| Prior Period Adjustment                     |
| Net Assets - End of Year                    |



| Net (Expense) Revenue and Changes in Net Assets |  |                                   |                               |   |   |   |   |
|---|--|-----------------------------------|-------------------------------|---|---|---|---|
| Alaska<br>Municipal<br>Bond Bank<br>Authority   | Alaska<br>Student<br>Loan<br>Corporation | Alaska<br>Railroad<br>Corporation | Alaska<br>Energy<br>Authority | Alaska<br>Aerospace<br>Development<br>Corporation | Alaska<br>Mental Health<br>Trust<br>Authority | Alaska<br>Natural Gas<br>Development<br>Authority | Total<br>Nonmajor<br>Component<br>Units |
| \$ (17,982)                                     | \$ (93,805)                              | \$ 12,666                         | \$ (22,959)                   | \$ 10,981   | \$ 35,798                                     | \$ (1,013)  | \$ (17,982)                             |
|   |  |                                   |                               |   |   |   | (93,805)                                |
|   |  |                                   |                               |   |   |   | 12,666                                  |
|   |  |                                   |                               |   |   |   | (22,959)                                |
|   |  |                                   |                               |   |   |   | (22,959)                                |
|   |  |                                   |                               |   |   |   | 10,981                                  |
|   |  |                                   |                               |   |   |   | 10,981                                  |
|   |  |                                   |                               |   |   |   | 35,798                                  |
|   |  |                                   |                               |   |   |   | 35,798                                  |
|   |  |                                   |                               |   |   |   | (1,013)                                 |
|   |  |                                   |                               |   |   |   | (1,013)                                 |
| <u>(17,982)</u>                                 | <u>(93,805)</u>                          | <u>12,666</u>                     | <u>(22,959)</u>               | <u>10,981</u>                                     | <u>35,798</u>                                 | <u>(1,013)</u>                                    | <u>(76,314)</u>                         |
|   |  |                                   |                               |   |   |   |   |
| 17,446  | 11,197                                   | 371                               | 17,928                        | 52  |   |   | 46,994                                  |
|   |  |                                   |                               |   |   | 1,055   | 1,055                                   |
| <u>17,446</u>                                   | <u>11,197</u>                            | <u>371</u>                        | <u>17,928</u>                 | <u>52</u>   | <u>0</u>                                      | <u>1,055</u>                                      | <u>48,049</u>                           |
| (536)   | (82,608)                                 | 13,037                            | (5,031)                       | 11,033  | 35,798  | 42  | (28,265)                                |
| 39,612  | 251,476                                  | 137,213                           | 419,675                       | 60,060  | 377,569                                       | 62  | 1,285,667                               |
|   |  |                                   |                               |   |   | 1,765   | 1,765                                   |
| <u>\$ 39,076</u>                                | <u>\$ 168,868</u>                        | <u>\$ 150,250</u>                 | <u>\$ 414,644</u>             | <u>\$ 71,093</u>                                  | <u>\$ 415,132</u>                             | <u>\$ 104</u>                                     | <u>\$ 1,259,167</u>                     |



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# Other Supplementary Information

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## Balance Sheet

## Nonmajor Component Unit Without Separately Issued Financial Statements

June 30, 2005

(Stated in Thousands)

|  | Alaska Mental<br>Health Trust<br>Authority |
|--|--|
| <b>ASSETS</b>  |  |
| Cash and Investments   | \$ 423,280                                 |
| Accounts Receivable - Net  | 6,235                                      |
| Interest and Dividends Receivable  | 1,668                                      |
| Loans, Notes, and Bonds Receivable   | 3,568                                      |
| Securities Lending Collateral  | 55,891                                     |
| Other Assets   | 2  |
| <b>Total Assets</b>  | <b>\$ 490,644</b>                          |
| <b>LIABILITIES AND FUND BALANCES</b>   |  |
| Liabilities:   |  |
| Accounts Payable and Accrued Liabilities   | \$ 16,566                                  |
| Obligations Under Securities Lending   | 55,891                                     |
| Due to Primary Government  | 834  |
| Unearned and Deferred Revenue  | 3,885                                      |
| Other Liabilities  | 712  |
| <b>Total Liabilities</b>   | <b>\$ 77,888</b>                           |
| Fund Balances:   |  |
| Reserved:  |  |
| Nonexpendable Trust Corpus   | \$ 341,992                                 |
| Other Purposes   | 70,764                                     |
| <b>Total Fund Balances</b>   | <b>412,756</b>                             |
| <b>Total Liabilities and Fund Balances</b>   | <b>\$ 490,644</b>                          |
| <b>Reconciliation of the Balance Sheet to the Statement of Net Assets:</b>   |  |
| <b>Total Fund Balances - Governmental Fund:</b>  | <b>\$ 412,756</b>                          |
| Alaska Mental Health Trust Authority   |  |
| 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 fund. |  |
| These assets consist of:   |  |
| Buildings, net of depreciation   | 556  |
| Land   | 2,179                                      |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.       |  |
| Compensated absences   | (240)                                      |
| Pension benefit obligation   | (119)                                      |
| <b>Net Assets of Governmental Activities</b>   | <b>\$ 415,132</b>                          |

**Statement of Revenues, Expenditures, and Change in Fund Balances**  
**Nonmajor Component Unit Without Separately Issued Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**  
**(Stated in Thousands)**

|  | Alaska Mental<br>Health Trust<br>Authority |
|--|--|
| <b>REVENUES</b>                                      |  |
| Charges for Services                                 | \$ 44                                      |
| Fines and Forfeitures                                | 66   |
| Rents and Royalties                                  | 16,364                                     |
| Interest and Investment Income                       | 33,863                                     |
| Other Revenues                                       | 148  |
| Total Revenues                                       | <u>50,485</u>                              |
| <b>EXPENDITURES</b>                                  |  |
| Current:   |  |
| General Government                                   | 562  |
| Education  | 250  |
| University   | 50   |
| Health and Human Services                            | 10,247                                     |
| Law and Justice                                      | 203  |
| Natural Resources                                    | 1,586                                      |
| Development  | 1,034                                      |
| Transportation                                       | 374  |
| Total Expenditures                                   | <u>14,306</u>                              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>36,179</u>                              |
| Net Change in Fund Balances                          | <u>36,179</u>                              |
| Fund Balances - Beginning of Year                    | 376,577                                    |
| Fund Balances - End of Year                          | <u><u>\$ 412,756</u></u>                   |

**Reconciliation of the Change in Fund Balances to the Statement of Activities:**

**Net Change in Fund Balances - Governmental Fund** \$ 36,179

Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities, the cost of these assets is allocated  
over their estimated useful lives as depreciation expense. The historical  
cost of capital assets acquired prior to or during the Fiscal Year Ended  
June 30, 2004 is reported as a prior period adjustment (PPA).

|  |       |
|--|-------|
| Buildings, net of depreciation expense and PPA | 556   |
| Land, net of additions and (deletions) and PPA | 1,187 |

Expenses not reported in the fund:

|                            |       |
|----------------------------|-------|
| Compensated absences       | (240) |
| Pension benefit obligation | (119) |

**Change in Net Assets of Governmental Activities** \$ 37,563



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# Statistical Section

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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2005**

**STATISTICAL SECTION**

This part of the State of Alaska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

**CONTENTS**

**Page**

|  |     |
|--|-----|
| <b>Financial Trends</b> (Schedules A-1 through A-5)<br><i>These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.</i>   | 217 |
| <b>Revenue Capacity</b> (Schedules B-1 through B-3)<br><i>These schedules contain information to help the reader assess the state's most significant revenue sources: investment income, oil severance taxes, and oil royalties.</i>   | 224 |
| <b>Debt Capacity</b> (Schedules C-1 and C-2)<br><i>These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. The state has no statutory limit on the amount of general obligation debt that may be authorized.</i> | 228 |
| <b>Demographic and Economic Information</b> (Schedules D-1 and D-2)<br><i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place.</i>  | 231 |
| <b>Operating Information</b> (Schedules E-1 through E-3)<br><i>These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs.</i>  | 233 |

**SOURCES:**

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

**NOTES:**

The State of Alaska implemented GASB Statement No. 34 in FY 02; therefore, some schedules only include financial data beginning in that year.



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**STATE OF ALASKA**  
**Financial Trends - Net Assets By Component**  
**Last Four Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE A-1**

|   | <u>2005</u>          | <u>2004</u>          | <u>2003</u>          | <u>2002</u>          |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental Activities:</b>           |                      |                      |                      |                      |
| Invested in Capital Assets,               |                      |                      |                      |                      |
| Net of Related Debt                       | \$ 4,654,684         | \$ 3,921,815         | \$ 3,724,321         | \$ 3,353,079         |
| Restricted                                | 28,935,899           | 26,929,079           | 24,473,141           | 22,207,101           |
| Unrestricted                              | <u>5,185,548</u>     | <u>4,066,781</u>     | <u>3,450,742</u>     | <u>5,469,850</u>     |
| Total Governmental Activities Net Assets  | <u>38,776,131</u>    | <u>34,917,675</u>    | <u>31,648,204</u>    | <u>31,030,030</u>    |
| <b>Business-type Activities:</b>          |                      |                      |                      |                      |
| Invested in Capital Assets,               |                      |                      |                      |                      |
| Net of Related Debt                       | 483,883              | 451,273              | 415,389              | 370,663              |
| Restricted                                | 467,604              | 429,600              | 411,446              | 417,609              |
| Unrestricted                              | <u>341,845</u>       | <u>308,232</u>       | <u>300,705</u>       | <u>311,662</u>       |
| Total Business-type Activities Net Assets | <u>1,293,332</u>     | <u>1,189,105</u>     | <u>1,127,540</u>     | <u>1,099,934</u>     |
| <b>Primary Government:</b>                |                      |                      |                      |                      |
| Invested in Capital Assets,               |                      |                      |                      |                      |
| Net of Related Debt                       | 5,138,567            | 4,373,088            | 4,139,710            | 3,723,742            |
| Restricted                                | 29,403,503           | 27,358,679           | 24,884,587           | 22,624,710           |
| Unrestricted                              | <u>5,527,393</u>     | <u>4,375,013</u>     | <u>3,751,447</u>     | <u>5,781,512</u>     |
| Total Primary Government Net Assets       | <u>\$ 40,069,463</u> | <u>\$ 36,106,780</u> | <u>\$ 32,775,744</u> | <u>\$ 32,129,964</u> |

**NOTE:**

This schedule is presented on the accrual basis of accounting.

## Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue

Last Four Fiscal Years

(Stated in Thousands)

|   | 2005                  | 2004                  | 2003                  | 2002                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Program Revenues</b>                         |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| Charges for Services                            |                       |                       |                       |                       |
| General Government                              | \$ 20,448             | \$ 13,048             | \$ 16,142             | \$ 16,465             |
| Education                                       | 2,477                 | 2,329                 | 937                   | 2,738                 |
| Health and Human Services                       | 30,754                | 23,086                | 23,277                | 19,329                |
| Law and Justice                                 | 10,959                | 8,625                 | 6,201                 | 9,528                 |
| Public Protection                               | 134,817               | 134,087               | 103,586               | 93,737                |
| Natural Resources                               | 1,967,523             | 1,446,144             | 1,299,097             | 906,477               |
| Development                                     | 4,744                 | 3,719                 | 34,895                | 2,829                 |
| Transportation                                  | 48,506                | 46,774                | 44,882                | 40,456                |
| Operating Grants and Contributions              | 1,400,904             | 1,422,265             | 1,303,282             | 1,111,681             |
| Capital Grants and Contributions                | 642,311               | 624,835               | 611,414               | 502,703               |
| Total Governmental Activities Program Revenues  | <u>4,263,443</u>      | <u>3,724,912</u>      | <u>3,443,713</u>      | <u>2,705,943</u>      |
| Business-type Activities:                       |                       |                       |                       |                       |
| Charges for Services                            |                       |                       |                       |                       |
| Loans   | 10,006                | 10,333                | 13,598                | 9,434                 |
| Unemployment Compensation                       | 148,354               | 160,762               | 156,459               | 135,097               |
| Airports  | 99,375                | 76,467                | 76,753                | 67,936                |
| Operating Grants and Contributions              | 17,485                | 13,329                | 18,177                | 33,128                |
| Capital Grants and Contributions                | 84,249                | 79,715                | 52,859                | 36,642                |
| Total Business-type Activities Program Revenues | <u>359,469</u>        | <u>340,606</u>        | <u>317,846</u>        | <u>282,237</u>        |
| Total Primary Government Program Revenues       | <u>\$ 4,622,912</u>   | <u>\$ 4,065,518</u>   | <u>\$ 3,761,559</u>   | <u>\$ 2,988,180</u>   |
| <b>Expenses</b>                                 |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| General Government                              | \$ 254,680            | \$ 227,516            | \$ 278,972            | \$ 414,344            |
| Alaska Permanent Fund Dividend <sup>a</sup>     | 552,232               | 660,471               | 908,676               | 1,086,362             |
| Education                                       | 1,143,197             | 1,072,194             | 951,790               | 939,988               |
| University                                      | 244,927               | 246,101               | 226,729               | 208,322               |
| Health and Human Services                       | 1,832,252             | 1,661,454             | 1,553,612             | 1,406,064             |
| Law and Justice                                 | 147,606               | 131,179               | 130,408               | 118,928               |
| Public Protection                               | 517,875               | 420,476               | 458,200               | 413,305               |
| Natural Resources                               | 242,610               | 225,167               | 206,161               | 194,377               |
| Development                                     | 129,518               | 128,254               | 142,934               | 126,427               |
| Transportation                                  | 762,514               | 392,737               | 418,463               | 406,543               |
| Intergovernmental Revenue Sharing               | 43,039                | 52,303                | 65,364                | 65,241                |
| Debt Service                                    | 32,153                | 32,763                | 19,903                | 16,564                |
| Total Governmental Activities Expenses          | <u>5,902,603</u>      | <u>5,250,615</u>      | <u>5,361,212</u>      | <u>5,396,465</u>      |
| Business-type Activities:                       |                       |                       |                       |                       |
| Loans   | 9,304                 | 4,980                 | 8,799                 | 16,540                |
| Unemployment Compensation                       | 147,687               | 185,342               | 191,598               | 150,176               |
| Airports  | 99,350                | 81,475                | 77,892                | 68,884                |
| Development                                     | 155                   | 77                    | -                     | -                     |
| Total Business-type Activities Expenses         | <u>256,496</u>        | <u>271,874</u>        | <u>278,289</u>        | <u>235,600</u>        |
| Total Primary Government Expenses               | <u>\$ 6,159,099</u>   | <u>\$ 5,522,489</u>   | <u>\$ 5,639,501</u>   | <u>\$ 5,632,065</u>   |
| <b>Net (Expense)/Revenue (To Schedule A-3)</b>  |                       |                       |                       |                       |
| Governmental Activities                         | \$ (1,639,160)        | \$ (1,525,703)        | \$ (1,917,499)        | \$ (2,690,522)        |
| Business-type Activities                        | 102,973               | 68,732                | 39,557                | 46,637                |
| Total Primary Government Net Expense            | <u>\$ (1,536,187)</u> | <u>\$ (1,456,971)</u> | <u>\$ (1,877,942)</u> | <u>\$ (2,643,885)</u> |

**NOTES:**

This schedule is presented on the accrual basis of accounting.

<sup>a</sup> The permanent fund dividend function represents the portion of the income earned by the Alaska Permanent Fund that is paid out to eligible Alaska residents.

## Financial Trends - Government-wide General Revenues and Other Changes in Net Assets

Last Four Fiscal Years

(Stated in Thousands)

|   | 2005                  | 2004                  | 2003                  | 2002                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net (Expense)/Revenue (From Schedule A-2)</b>                                |                       |                       |                       |                       |
| Governmental Activities   | \$ (1,639,160)        | \$ (1,525,703)        | \$ (1,917,499)        | \$ (2,690,522)        |
| Business-type Activities  | 102,973               | 68,732                | 39,557                | 46,637                |
| Total Primary Government Net Expense  | <u>\$ (1,536,187)</u> | <u>\$ (1,456,971)</u> | <u>\$ (1,877,942)</u> | <u>\$ (2,643,885)</u> |
| <b>General Revenues and Other Changes in Net Assets</b>                         |                       |                       |                       |                       |
| Governmental Activities:  |                       |                       |                       |                       |
| Taxes:  |                       |                       |                       |                       |
| Severance Taxes   | \$ 965,431            | \$ 697,394            | \$ 640,856            | \$ 549,848            |
| Selective Sales/Use   | 186,354               | 180,354               | 156,693               | 139,531               |
| Income Taxes  | 588,694               | 339,270               | 207,075               | 269,273               |
| Property Taxes  | 42,912                | 47,416                | 48,741                | 49,641                |
| Other Taxes   | 10,743                | 10,979                | 9,421                 | 11,585                |
| Interest and Investment Earnings  | 2,840,596             | 3,561,847             | 1,205,191             | (371,614)             |
| Tobacco Settlement  | 21,759                | 21,439                | 25,054                | 134,925               |
| Payments In from Component Units  | 121,312               | 58,846                | 80,728                | 63,474                |
| Other Revenues  | 19,294                | 60,781                | 7,618                 | 24,280                |
| Transfers - Internal Activity   | 4,968                 | 4,306                 | 2,830                 | 1,539                 |
| Special Items   | -                     | 4,829                 | 127,413               | -                     |
| Prior Period Adjustments and Restatements                                       | 695,553               | (192,287)             | 24,053                | 35,955,420            |
| Total Governmental Activities General Revenues and Other Changes in Net Assets  | <u>5,497,616</u>      | <u>4,795,174</u>      | <u>2,535,673</u>      | <u>36,827,902</u>     |
| Business-type Activities:   |                       |                       |                       |                       |
| Interest and Investment Earnings  | 5,154                 | 1,067                 | 6,567                 | 6,449                 |
| Other Revenues  | 1,356                 | -                     | 419                   | 546                   |
| Payments In from Component Units  | -                     | -                     | -                     | 652                   |
| Transfers - Internal Activity   | (4,968)               | (4,306)               | (2,830)               | (1,539)               |
| Special Items   | -                     | -                     | (5,453)               | -                     |
| Prior Period Adjustments and Restatements                                       | (288)                 | (3,928)               | (10,654)              | (1,018)               |
| Total Business-type Activities General Revenues and Other Changes in Net Assets | <u>1,254</u>          | <u>(7,167)</u>        | <u>(11,951)</u>       | <u>5,090</u>          |
| Total Primary Government General Revenues and Other Changes in Net Assets       | <u>\$ 5,498,870</u>   | <u>\$ 4,788,007</u>   | <u>\$ 2,523,722</u>   | <u>\$ 36,832,992</u>  |
| <b>Change in Net Assets</b>   |                       |                       |                       |                       |
| Governmental Activities   | \$ 3,858,456          | \$ 3,269,471          | \$ 618,174            | \$ 34,137,380         |
| Business-type Activities  | 104,227               | 61,565                | 27,606                | 51,727                |
| Total Primary Government Changes in Net Assets                                  | <u>\$ 3,962,683</u>   | <u>\$ 3,331,036</u>   | <u>\$ 645,780</u>     | <u>\$ 34,189,107</u>  |

**NOTE:**

This schedule is presented on the accrual basis of accounting.

**STATE OF ALASKA**  
**Financial Trends - Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE A-4**

|                                      | <u>2005</u>          | <u>2004</u>          | <u>2003</u>          | <u>2002</u>          |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund:</b>                 |                      |                      |                      |                      |
| Reserved <sup>a</sup>                | \$ 5,367,346         | \$ 5,369,520         | \$ 5,400,958         | \$ 4,819,136         |
| Unreserved                           | (1,297,611)          | (1,929,657)          | (1,850,881)          | (701,741)            |
| Total General Fund                   | <u>\$ 4,069,735</u>  | <u>\$ 3,439,863</u>  | <u>\$ 3,550,077</u>  | <u>\$ 4,117,395</u>  |
| <b>All Other Governmental Funds:</b> |                      |                      |                      |                      |
| Reserved <sup>b</sup>                | \$ 29,015,791        | \$ 27,068,135        | \$ 24,464,472        | \$ 22,191,935        |
| Unreserved, reported in:             |                      |                      |                      |                      |
| Permanent funds                      | 1,449,370            | 869,711              | 114,139              | 1,658,082            |
| Special revenue funds                | 75,991               | 47,841               | 78,987               | 46,919               |
| Capital projects funds               | 126,963              | 227,982              | 438,606              | -                    |
| Total All Other Governmental Funds   | <u>\$ 30,668,115</u> | <u>\$ 28,213,669</u> | <u>\$ 25,096,204</u> | <u>\$ 23,896,936</u> |

**NOTES:**

This schedule is presented on the modified accrual basis of accounting.

In FY 02, funds were reclassified in conjunction with implementing GASB Statement No. 34.

<sup>a</sup> The majority of the amount reported as reserved for the General Fund since 2002 represents the Constitutional Budget Reserve Fund. Further discussion of this fund is included in the Notes to the Basic Financial Statements.

<sup>b</sup> The majority of the amount reported as reserved for all other governmental funds since 2002 represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

SCHEDULE A-4

| 2001                  | 2000                  | 1999                  | 1998                  | 1997                  | 1996                |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| \$ 192,610            | \$ 187,278            | \$ 369,214            | \$ 388,520            | \$ 393,989            | \$ 414,479          |
| (3,368,474)           | (3,341,562)           | (3,071,768)           | (1,991,648)           | (1,418,181)           | (1,406,935)         |
| <u>\$ (3,175,864)</u> | <u>\$ (3,154,284)</u> | <u>\$ (2,702,554)</u> | <u>\$ (1,603,128)</u> | <u>\$ (1,024,192)</u> | <u>\$ (992,456)</u> |
| \$ 45,343             | \$ 31,380             | \$ 5,506              | \$ 4,462              | \$ 11,975             | \$ 4,837            |
| -                     | -                     | -                     | -                     | -                     | -                   |
| 23,171                | 23,163                | 31,613                | 28,535                | 20,088                | 19,105              |
| -                     | 102                   | 102                   | 674                   | 1,518                 | 9,057               |
| <u>\$ 68,514</u>      | <u>\$ 54,645</u>      | <u>\$ 37,221</u>      | <u>\$ 33,671</u>      | <u>\$ 33,581</u>      | <u>\$ 32,999</u>    |

**STATE OF ALASKA**  
**Financial Trends - Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE A-5**

|  | 2005                | 2004                | 2003              | 2002                 |
|--|---------------------|---------------------|-------------------|----------------------|
| <b>Revenues</b>  |                     |                     |                   |                      |
| Taxes  | \$ 1,764,465        | \$ 1,275,413        | \$ 1,062,786      | \$ 1,019,878         |
| Licenses and Permits   | 122,888             | 116,164             | 100,814           | 90,049               |
| Charges for Services   | 152,992             | 184,178             | 167,505           | 157,458              |
| Fines and Forfeitures  | 11,030              | 17,598              | 10,477            | 11,937               |
| Rents and Royalties  | 1,957,615           | 1,428,982           | 1,286,742         | 867,143              |
| Premiums and Contributions                                     | 17,153              | 17,984              | 29,809            | 19,612               |
| Interest and Investment Income                                 | 2,874,284           | 3,586,212           | 1,224,015         | (379,887)            |
| Federal Grants in Aid  | 1,951,921           | 1,941,037           | 1,769,144         | 1,552,694            |
| Payments in from Component Units <sup>d</sup>                  | 121,312             | 58,846              | 80,728            | 63,474               |
| Other Revenues   | 30,957              | 32,363              | 37,809            | 154,713              |
| <b>Total Revenues</b>  | <b>9,004,617</b>    | <b>8,658,777</b>    | <b>5,769,829</b>  | <b>3,557,071</b>     |
| <b>Expenditures</b>  |                     |                     |                   |                      |
| General Government   | 261,596             | 257,207             | 278,604           | 393,579              |
| Alaska Permanent Fund Dividend <sup>a</sup>                    | 552,232             | 660,471             | 908,676           | 1,086,362            |
| Education  | 1,136,016           | 1,042,702           | 990,384           | 973,716              |
| University <sup>d</sup>  | 244,917             | 246,168             | 226,794           | 208,497              |
| Health and Human Services                                      | 1,748,751           | 1,707,996           | 1,571,025         | 1,408,238            |
| Law and Justice <sup>b</sup>                                   | 141,890             | 135,026             | 131,359           | 117,648              |
| Public Protection <sup>b</sup>                                 | 525,855             | 431,261             | 459,321           | 410,000              |
| Natural Resources  | 236,146             | 227,132             | 221,088           | 199,032              |
| Development  | 128,257             | 132,452             | 145,242           | 130,893              |
| Transportation   | 804,546             | 764,003             | 737,768           | 650,678              |
| Capital Outlay <sup>c</sup>                                    | -                   | -                   | -                 | -                    |
| Intergovernmental Revenue Sharing                              | 43,081              | 52,259              | 65,743            | 65,198               |
| Debt Service:  |                     |                     |                   |                      |
| Principal  | 39,570              | 15,568              | 18,107            | 16,664               |
| Interest and Other Charges                                     | 38,989              | 34,369              | 18,332            | 15,878               |
| <b>Total Expenditures</b>                                      | <b>5,901,846</b>    | <b>5,706,614</b>    | <b>5,772,443</b>  | <b>5,676,383</b>     |
| Excess (Deficiency) of Revenues Over Expenditures              | 3,102,771           | 2,952,163           | (2,614)           | (2,119,312)          |
| <b>Other Financing Sources (Uses)</b>                          |                     |                     |                   |                      |
| Bonds Issued   | -                   | 14,145              | 461,935           | 142,790              |
| Refunding Bonds Issued <sup>e</sup>                            | 25,725              | -                   | -                 | -                    |
| Bond Issue Premium   | -                   | -                   | 39,310            | -                    |
| Refunding Bond Issue Premium <sup>e</sup>                      | 1,251               | -                   | -                 | -                    |
| Bond Discount  | -                   | -                   | -                 | (1,852)              |
| Payment to Refunded Bond Escrow Agent <sup>e</sup>             | (26,858)            | -                   | -                 | -                    |
| Capital Leases   | 10,751              | 15,615              | -                 | -                    |
| Transfers In from Other Funds                                  | 604,541             | 614,250             | 706,507           | 961,827              |
| Transfers In from Component Units <sup>d</sup>                 | -                   | -                   | -                 | -                    |
| Transfers (Out to) Other Funds                                 | (615,931)           | (597,320)           | (695,498)         | (947,910)            |
| Transfers (Out to) Component Units <sup>d</sup>                | -                   | -                   | -                 | -                    |
| <b>Total Other Financing Sources and Uses</b>                  | <b>(521)</b>        | <b>46,690</b>       | <b>512,254</b>    | <b>154,855</b>       |
| Special Items  | -                   | 4,829               | 127,413           | -                    |
| Prior Period Adjustments and Restatements                      | (17,932)            | 3,569               | (5,103)           | 33,086,138           |
| <b>Net Change in Fund Balances</b>                             | <b>\$ 3,084,318</b> | <b>\$ 3,007,251</b> | <b>\$ 631,950</b> | <b>\$ 31,121,681</b> |
| <b>Debt Service as a Percentage of Noncapital Expenditures</b> |                     |                     |                   |                      |
|  | 1.51%               | 1.00%               | 0.72%             | 0.62%                |

**NOTES:**

This schedule is presented on the modified accrual basis of accounting.

In FY 02, funds were reclassified in conjunction with implementing GASB Statement No. 34.

<sup>a</sup> Prior to 2002 and the implementation of GASB Statement No. 34, the Alaska Permanent Fund Dividend Fund was reported as an expendable trust fund.

<sup>b</sup> Prior to 2002 and the implementation of GASB Statement No. 34, Law and Justice and Public Protection expenditures were combined as one function.

<sup>c</sup> With the implementation of GASB Statement No. 34, capital outlay is no longer reported as a separate function.

<sup>d</sup> Prior to 2002 and the implementation of GASB Statement No. 34, Transfers In from and Out to Component Units were classified as Other Financing Sources (Uses). Under GASB Statement No. 34 payments to component units are reported as revenues or expenditures rather than as transfers.

<sup>e</sup> In 2005 new certificates of participation were issued to refund existing certificates of participation debt. Note 6 in the Notes to the Basic Financial Statements contains additional information about this transaction.



SCHEDULE A-5

|    | 2001      | 2000         | 1999           | 1998         | 1997         | 1996         |
|----|-----------|--------------|----------------|--------------|--------------|--------------|
| \$ | 1,332,572 | \$ 1,165,502 | \$ 794,453     | \$ 1,049,154 | \$ 1,441,336 | \$ 1,230,710 |
|    | 78,367    | 94,087       | 86,873         | 93,820       | 89,964       | 80,522       |
|    | 161,418   | 122,720      | 91,433         | 82,977       | 78,148       | 75,158       |
|    | 33,680    | 46,291       | 12,607         | 37,799       | 12,438       | 9,562        |
|    | 1,134,884 | 1,083,715    | 512,115        | 738,791      | 1,077,892    | 909,514      |
|    | -         | -            | -              | -            | -            | -            |
|    | 80,175    | 47,995       | 46,771         | 61,275       | 70,182       | 64,370       |
|    | 1,324,761 | 1,226,821    | 1,039,968      | 959,842      | 948,515      | 951,331      |
|    | -         | -            | -              | -            | -            | -            |
|    | 129,487   | 48,506       | 39,642         | 38,024       | 44,024       | 40,250       |
|    | 4,275,344 | 3,835,637    | 2,623,862      | 3,061,682    | 3,762,499    | 3,361,417    |
|    | 260,488   | 189,026      | 197,154        | 200,392      | 209,207      | 216,672      |
|    | -         | -            | -              | -            | -            | -            |
|    | 879,584   | 876,890      | 866,346        | 827,794      | 821,375      | 832,363      |
|    | -         | -            | -              | -            | -            | -            |
|    | 1,284,018 | 1,170,063    | 1,069,948      | 1,031,507    | 1,012,349    | 980,166      |
|    | 526,676   | 462,056      | 449,256        | 425,328      | 431,166      | 433,336      |
|    | -         | -            | -              | -            | -            | -            |
|    | 152,690   | 144,762      | 151,480        | 150,547      | 152,231      | 157,787      |
|    | 19,404    | 18,634       | 38,336         | 35,641       | 39,566       | 52,229       |
|    | 165,551   | 156,117      | 155,715        | 152,607      | 163,569      | 153,373      |
|    | 573,691   | 549,345      | 479,070        | 416,681      | 430,677      | 477,696      |
|    | 82,519    | 73,783       | 95,448         | 91,700       | 108,634      | 114,994      |
|    | -         | 2,376        | 8,515          | 13,316       | 14,895       | 18,870       |
|    | 4,294     | 57           | 324            | 904          | 1,601        | 2,435        |
|    | 3,948,915 | 3,643,109    | 3,511,592      | 3,346,417    | 3,385,270    | 3,439,921    |
|    | 326,429   | 192,528      | (887,730)      | (284,735)    | 377,229      | (78,504)     |
|    | 116,050   | -            | -              | -            | -            | -            |
|    | -         | -            | -              | -            | -            | -            |
|    | -         | -            | -              | -            | -            | -            |
|    | (878)     | -            | -              | -            | -            | -            |
|    | -         | -            | -              | -            | -            | -            |
|    | 32,098    | 16,366       | 29,479         | 20,193       | 35,481       | 105,681      |
|    | 87,315    | 179,445      | 118,967        | 105,264      | 67,361       | 70,618       |
|    | (357,628) | (427,778)    | (187,434)      | (249,448)    | (349,847)    | (294,747)    |
|    | (213,075) | (394,797)    | (170,223)      | (171,416)    | (173,278)    | (184,376)    |
|    | (336,118) | (626,764)    | (209,211)      | (295,407)    | (420,283)    | (302,824)    |
|    | -         | -            | -              | -            | -            | -            |
|    | 1,978     | (70)         | 1,065          | 1,296        | 11,900       | 983          |
| \$ | (7,711)   | \$ (434,306) | \$ (1,095,876) | \$ (578,846) | \$ (31,154)  | \$ (380,345) |
|    | 0.13%     | 0.08%        | 0.29%          | 0.49%        | 0.56%        | 0.72%        |

**STATE OF ALASKA**  
**Revenue Capacity - Alaska Permanent Fund Investment Income**  
**Last Ten Fiscal Years**  
**(Stated in Millions)**

**SCHEDULE B-1**

| Fiscal Year | Ending Fund Market Value <sup>a</sup> | Reserved Fund Assets | Unreserved Fund Assets <sup>b</sup> | Total Fund Return |
|-------------|---------------------------------------|----------------------|-------------------------------------|-------------------|
| 1996        | \$ 18,393                             | \$ 18,290            | \$ 103                              | 13.4%             |
| 1997        | 21,104                                | 20,997               | 107                                 | 17.1%             |
| 1998        | 23,876                                | 22,487               | 1,389                               | 16.4%             |
| 1999        | 25,132                                | 22,542               | 2,590                               | 9.5%              |
| 2000        | 26,516                                | 23,543               | 2,973                               | 9.2%              |
| 2001        | 24,815                                | 22,431               | 2,384                               | -3.3%             |
| 2002        | 23,525                                | 22,389               | 1,136                               | -2.2%             |
| 2003        | 24,194                                | 24,094               | 100                                 | 4.5%              |
| 2004        | 27,400                                | 26,541               | 859                                 | 14.2%             |
| 2005        | 29,962                                | 28,522               | 1,440                               | 10.4%             |

**Annual Rate of Return by Asset Class<sup>d</sup>**

| Fiscal Year | Domestic Equities | International Stocks | Domestic Bonds | Non-Dollar Bonds | Real Estate | Total Fund |
|-------------|-------------------|----------------------|----------------|------------------|-------------|------------|
| 1996        | 26.2%             | 16.2%                | 4.2%           | NA <sup>c</sup>  | 8.0%        | 13.4%      |
| 1997        | 30.7%             | 18.9%                | 7.8%           | NA <sup>c</sup>  | 9.9%        | 17.1%      |
| 1998        | 26.5%             | 8.1%                 | 11.4%          | 11.1%            | 15.6%       | 16.4%      |
| 1999        | 19.4%             | 9.4%                 | 1.7%           | 8.6%             | 9.8%        | 9.5%       |
| 2000        | 8.7%              | 23.3%                | 3.7%           | -1.7%            | 10.6%       | 9.2%       |
| 2001        | -13.1%            | -22.9%               | 11.4%          | 0.8%             | 14.3%       | -3.3%      |
| 2002        | -15.4%            | -8.6%                | 8.0%           | 10.2%            | 10.3%       | -2.2%      |
| 2003        | -0.3%             | -5.0%                | 10.2%          | 15.3%            | 9.1%        | 4.5%       |
| 2004        | 21.1%             | 28.4%                | 0.8%           | 4.3%             | 16.5%       | 14.2%      |
| 2005        | 7.2%              | 15.4%                | 6.8%           | 10.1%            | 27.2%       | 10.4%      |

**SOURCE:**

Alaska Permanent Fund Corporation

**NOTES:**

<sup>a</sup> The Alaska Permanent Fund is made up of two parts: reserved and unreserved assets. The reserved portion of the fund is invested in perpetuity and cannot be spent without amending the state constitution through a majority vote of the people.

<sup>b</sup> Unreserved fund assets are defined in Alaska statute as the accumulation of cash flow and net realized gains from investments and are subject to appropriation by the Legislature. The unreserved fund assets have historically only been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the reserved fund assets from inflation. The unreserved fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The unreserved fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer. The reserved and unreserved fund assets are commingled for investment purposes.

<sup>c</sup> NA = The fund held no investments in this asset type.

<sup>d</sup> Returns are shown by major asset class only and are unaudited.

**REVENUE BASE (Last Four Fiscal Years)**

| Oil Severance Taxes                          | 2005               | 2004               | 2003               | 2002               |
|--|--------------------|--------------------|--------------------|--------------------|
| Well-head value                              | \$38.92 per barrel | \$26.78 per barrel | \$23.27 per barrel | \$16.80 per barrel |
| Weighted average severance tax rate          | 14.20%             | 14.23%             | 14.16%             | 14.44%             |
| Weighted Average Economic Limit Factor (ELF) | 52.99%             | 53.22%             | 55.19%             | 59.75%             |

**REVENUE RATE (The method of determining the revenue rate has remained consistent over the last four fiscal years)**

The effective severance tax rate is computed as:

$$(\text{Number of barrels produced}^1 \text{ less the number of royalty barrels}^2) \times \text{the well-head value}^3 \times \text{the severance tax rate}^4 \times \text{ELF}^5$$

<sup>1</sup> The total number of barrels produced.

See the Royalty Revenue Capacity Schedule B-3 for number of barrels produced.

<sup>2</sup> Less the number of royalty barrels.

Barrels that are charged royalties are not taxed, therefore these barrels are subtracted from the total.

<sup>3</sup> Multiplied by the well-head value.

Well-head value (destination value less allowable marine and pipeline transportation costs) of each barrel.

<sup>4</sup> Multiplied by the severance tax rate.

The severance tax rate on oil is 15.00% for fields coming into production prior to June 1981, 12.25% of the well-head value for the first five years of production, and 15.00% thereafter for fields coming into production after June 1981. There is a minimum tax of 80 cents per barrel.

<sup>5</sup> Multiplied by the Economic Limit Factor (ELF).

The Economic Limit Factor is  $(1 - (300/PPW))^{(150,000/TP)^{1.5333}}$ , where PPW is the average daily oil production per well in the field, TP is the average daily oil production from the field, and ^ is exponential. If a field produces 300 barrels per day per well or less, the ELF is zero and no severance taxes are assessed.

**REVENUE PAYERS (Current Reporting Period and Period Nine Years Prior)**

|  | 2005   | 1996   |
|--|--|--|
| Alaska Statute 43.05.230 prohibits naming individual tax payers. | Five oil companies account for more than 50.00% of severance tax.              | Five oil companies account for more than 50.00% of severance tax.              |
| Amount of Revenue Base   | Five oil companies account for 307,912 thousands of barrels of oil production. | Five oil companies account for 486,383 thousands of barrels of oil production. |
| Percent of top payers to total oil production                    | 99.36%   | 97.49%   |
| Percent of top payers to total severance tax revenue             | 99.86%   | 97.16%   |

**SOURCE:**

Alaska Department of Revenue, Tax Division

**REVENUE BASE (Last Four Fiscal Years)**

| Oil Royalties                                     | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|
| Gross number of barrels                           | 340,249,446 | 370,732,200 | 376,494,188 | 387,190,479 |
| Number of barrels for which royalties are charged | 44,820,165  | 48,080,646  | 49,296,600  | 48,415,456  |
| Weighted average royalty rate                     | 13.17%      | 12.97%      | 13.09%      | 12.50%      |

**REVENUE RATE (The method of determining the revenue rate has remained consistent over the last four fiscal years)**

The royalty rate ranges from 5.00% to 33.33%, depending on lease terms. However, the majority of fields are charged at 12.50%.

**REVENUE PAYERS (Current Reporting Period and Period Nine Years Prior)**

|   | 2005  | 1996   |
|---|---|--|
| Top Payers  | Royalties from British Petroleum, ConocoPhillips, and Flint Hills corporations comprise more than 50.00% of oil royalty barrels this fiscal year. | Royalties from British Petroleum, ConocoPhillips, Williams, and Tesoro corporations comprise more than 50.00% of oil royalty barrels this fiscal year. |
| Amount of Revenue Base                              | British Petroleum, ConocoPhillips, and Flint Hills corporations paid royalty on over 40 million barrels of oil.                                   | British Petroleum, ConocoPhillips, Williams, and Tesoro paid royalty on over 63 million barrels of oil.  |
| Percent of top payers to number of royalty barrels. | 90.27%  | 84.84%   |
| Percent of top payers to total royalty revenue.     | 91.10%  | 80.96%   |

**SOURCE:**

Alaska Department of Natural Resources, Division of Oil and Gas

**NOTE:**

Per Article IX, Section 15 of the Alaska Constitution, "At least 25 percent of all mineral. . . royalties. . . received by the State shall be placed in a permanent fund..."



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**STATE OF ALASKA**  
**Debt Capacity - Ratios of Outstanding Debt By Type**  
**Last Ten Fiscal Years**  
**(Stated in Thousands, Except Per Capita Amount)**

**SCHEDULE C-1**

| Fiscal Year | General Bonded Debt      |  |                         | Other Governmental Activities Debt |  |                                |
|-------------|--------------------------|--|-------------------------|------------------------------------|--|--------------------------------|
|             | General Obligation Bonds | Percentage of Personal Income <sup>a</sup> | Per Capita <sup>a</sup> | Tobacco Revenue Bonds <sup>b</sup> | Certificates of Participation <sup>c</sup> | Capital Leases <sup>c, d</sup> |
| 1996        | \$ 39,101                | 0.25%                                      | \$ 65                   | \$ -                               | \$ -                                       | \$ 58,393                      |
| 1997        | 24,206                   | 0.15%                                      | 40                      | -                                  | -  | 52,143                         |
| 1998        | 10,891                   | 0.07%                                      | 18                      | -                                  | -  | 169,613                        |
| 1999        | 2,376                    | 0.01%                                      | 4                       | -                                  | -  | 159,065                        |
| 2000        | -                        | 0.00%                                      | -                       | -                                  | -  | 88,783                         |
| 2001        | -                        | 0.00%                                      | -                       | 115,172                            | -  | 116,529                        |
| 2002        | -                        | 0.00%                                      | -                       | 232,863                            | 16,000                                     | 261,280                        |
| 2003        | 499,541                  | 2.44%                                      | 776                     | 224,599                            | 16,000                                     | 272,473                        |
| 2004        | 492,586                  | 2.26%                                      | 760                     | 218,316                            | 30,145                                     | 194,492                        |
| 2005        | 463,117                  | 2.03%                                      | 707                     | 212,794                            | 61,625                                     | 147,993                        |

**NOTES:**

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements.

<sup>a</sup> See Schedule D-1, Demographic and Economic Information - Statistics, for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

<sup>b</sup> Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation, which was incorporated on September 29, 2000.

<sup>c</sup> Prior to 2002, Certificates of Participation (COPs) were reported as capital leases. Beginning in 2002, COP-funded facilities were reported as COPs while under construction. Upon completion of the facilities construction projects in 2002-2004, the debt related to the COP-funded facilities was reclassified to capital leases. Beginning in 2005, COPs are no longer reported as capital leases.

<sup>d</sup> The capitalization threshold for reporting capital leases was increased and operating leases were reported for the first time in conjunction with implementation of GASB Statement No. 34 in 2002.

SCHEDULE C-1

| Business-type Activities |               |  |                     |                     |
|--------------------------|---------------|--|---------------------|---------------------|
| International            |               |  |                     |                     |
| Airports                 |               |  | Percentage          | Per                 |
| Revenue                  | Total Primary |  | of Personal         | Capita <sup>a</sup> |
| Bonds                    | Government    |  | Income <sup>a</sup> |                     |
| \$ 42,645                | \$ 140,139    |  | 0.90%               | \$ 233              |
| 39,005                   | 115,354       |  | 0.73%               | 191                 |
| 35,220                   | 215,724       |  | 1.31%               | 354                 |
| 210,425                  | 371,866       |  | 2.17%               | 603                 |
| 227,776                  | 316,559       |  | 1.79%               | 509                 |
| 226,976                  | 458,677       |  | 2.46%               | 732                 |
| 362,374                  | 872,517       |  | 4.44%               | 1,377               |
| 356,510                  | 1,369,123     |  | 6.69%               | 2,127               |
| 422,141                  | 1,357,680     |  | 6.23%               | 2,094               |
| 412,057                  | 1,297,586     |  | 5.68%               | 1,980               |

STATE OF ALASKA  
Debt Capacity - Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(Stated in Thousands)

SCHEDULE C-2

International Airports Revenue Bonds: <sup>a</sup>

| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Debt Service Interest | Coverage |
|-------------|----------------|--------------------------|------------------------|------------------------|-----------------------|----------|
| 1996        | \$ 55,882      | \$ 37,310                | \$ 18,572              | \$ 3,505               | \$ 2,168              | 3.27     |
| 1997        | 60,875         | 40,510                   | 20,365                 | 3,640                  | 2,041                 | 3.58     |
| 1998        | 60,032         | 39,278                   | 20,754                 | 3,785                  | 1,896                 | 3.65     |
| 1999        | 60,800         | 40,901                   | 19,899                 | 3,970                  | 1,735                 | 3.49     |
| 2000        | 61,143         | 42,472                   | 18,671                 | 3,210                  | 12,812                | 1.17     |
| 2001        | 82,165         | 44,798                   | 37,367                 | 1,135                  | 11,613                | 2.93     |
| 2002        | 73,661         | 47,779                   | 25,882                 | 3,660                  | 11,508                | 1.71     |
| 2003        | 83,320         | 54,686                   | 28,634                 | 6,300                  | 18,642                | 1.15     |
| 2004        | 77,524         | 49,238                   | 28,286                 | 6,580                  | 18,365                | 1.13     |
| 2005        | 104,538        | 61,131                   | 43,407                 | 12,138                 | 21,554                | 1.29     |

Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: <sup>b</sup>

| Fiscal Year | Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Debt Service Interest | Coverage |
|-------------|----------------|--------------------------|------------------------|------------------------|-----------------------|----------|
| 2001        | \$ 774         | \$ -                     | \$ 774                 | \$ -                   | \$ 4,294              | 0.18     |
| 2002        | 21,350         | -                        | 21,350                 | 7,495                  | 12,431                | 1.07     |
| 2003        | 21,467         | -                        | 21,467                 | 8,495                  | 13,346                | 0.98     |
| 2004        | 18,399         | -                        | 18,399                 | 6,485                  | 12,879                | 0.95     |
| 2005        | 18,620         | -                        | 18,620                 | 5,710                  | 12,558                | 1.02     |

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements. Gross revenues include nonoperating interest and investment income. Operating expenses do not include interest, depreciation, or amortization expenses.

<sup>a</sup> The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.

<sup>b</sup> Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation (NTSC), which was incorporated on September 29, 2000. NTSC revenues include Tobacco Settlement Revenues (TSRs) and investment earnings, both of which are pledged as security under the revenue bond indentures.



**STATE OF ALASKA**  
**Demographic and Economic Information - Statistics**  
**Last Ten Calendar Years**

**SCHEDULE D-1**

| Year | Population <sup>1</sup> | Personal Income<br>(Stated in Millions) <sup>2</sup> | Alaska<br>Per Capita<br>Personal<br>Income <sup>2</sup> | United States<br>Per Capita<br>Personal<br>Income <sup>2</sup> | Median<br>Age <sup>1</sup> | Unemployment<br>Rate <sup>1</sup> |
|------|-------------------------|--|---|--|----------------------------|-----------------------------------|
| 1995 | 601,581                 | \$ 15,513  | \$ 25,798   | \$ 23,562  | 31.5                       | 7.3%                              |
| 1996 | 605,212                 | 15,762   | 26,057  | 24,651   | 31.9                       | 7.8%                              |
| 1997 | 609,655                 | 16,465   | 27,042  | 25,874   | 32.2                       | 7.9%                              |
| 1998 | 617,082                 | 17,167   | 27,904  | 27,322   | 32.5                       | 5.8%                              |
| 1999 | 622,000                 | 17,704   | 28,577  | 28,542   | 32.9                       | 6.4%                              |
| 2000 | 626,932                 | 18,612   | 30,064  | 29,676   | 32.4                       | 6.2%                              |
| 2001 | 633,630                 | 19,641   | 30,936  | 30,472   | 32.6                       | 6.2%                              |
| 2002 | 643,786                 | 20,467   | 31,792  | 30,832   | 32.7                       | 7.1%                              |
| 2003 | 648,280                 | 21,779   | 33,568  | 31,632   | 33.1                       | 7.7%                              |
| 2004 | 655,435                 | 22,582   | 34,454  | 32,937   | 33.3                       | 7.5%                              |

**SOURCES:**

<sup>1</sup> Alaska Department of Labor and Workforce Development, Research and Analysis Section

<sup>2</sup> U.S. Department of Commerce, Bureau of Economic Analysis

**NOTE:**

At the time of preparation, data provided by the U.S. Department of Commerce, Bureau of Economic Analysis is preliminary.

**STATE OF ALASKA**  
**Demographic and Economic Information - Principal Employers**  
**Calendar Year 2004 and Period Eight Years Prior<sup>a</sup>**

**SCHEDULE D-2**

| Employer                             | 2004          |      |                                      | 1996          |      |                                      |
|--------------------------------------|---------------|------|--------------------------------------|---------------|------|--------------------------------------|
|                                      | Employees     | Rank | Percentage of Total State Employment | Employees     | Rank | Percentage of Total State Employment |
| Uniformed Military                   | 20,172        | 1    | 6.52%                                | 18,974        | 1    | 6.95%                                |
| Federal Government                   | 17,177        | 2    | 5.55%                                | 17,322        | 2    | 6.34%                                |
| State of Alaska <sup>b</sup>         | 16,987        | 3    | 5.49%                                | 15,639        | 3    | 5.73%                                |
| University of Alaska                 | 7,072         | 4    | 2.29%                                | 5,813         | 4    | 2.13%                                |
| Anchorage School District            | 6,352         | 5    | 2.05%                                | 5,284         | 5    | 1.94%                                |
| Providence Health System Alaska      | 3,518         | 6    | 1.13%                                | 2,261         | 8    | 0.83%                                |
| Safeway Stores/Cars                  | 3,107         | 7    | 1.00%                                | 3,299         | 7    | 1.21%                                |
| Municipality of Anchorage            | 2,902         | 8    | 0.94%                                | 3,516         | 6    | 1.29%                                |
| Wal-Mart/Sam's Club                  | 2,725         | 9    | 0.88%                                | -             | NA   | -                                    |
| Fred Meyer                           | 2,597         | 10   | 0.84%                                | 1,760         | 9    | 0.64%                                |
| Fairbanks North Star School District | -             | NA   | -                                    | 1,650         | 10   | 0.60%                                |
| <b>Total</b>                         | <b>82,609</b> |      | <b>26.69%</b>                        | <b>75,518</b> |      | <b>27.66%</b>                        |

**SOURCE:**

Alaska Department of Labor and Workforce Development, Research and Analysis Section

**NOTES:**

<sup>a</sup> Calendar year 1996 is the earliest year data is available.

<sup>b</sup> For the purpose of a relevant principal employers indicator, with the exception of the University of Alaska, component unit employees are included in State of Alaska figures. The number of component unit employees is immaterial and inclusion does not change the ranking of the State of Alaska as an employer.

**STATE OF ALASKA**  
**Operating Information - Full-time Equivalent Government Employees by Function**  
**Last Four Fiscal Years**

**SCHEDULE E-1**

| <b>FUNCTION</b>           | <u>2005</u>          | <u>2004</u>          | <u>2003</u>          | <u>2002</u>          |
|---------------------------|----------------------|----------------------|----------------------|----------------------|
| General Government        | 2,071                | 2,009                | 2,181                | 2,115                |
| Education                 | 395                  | 421                  | 346                  | 444                  |
| Health and Human Services | 2,432                | 2,477                | 2,579                | 2,460                |
| Law and Justice           | 1,451                | 1,400                | 1,413                | 1,378                |
| Public Protection         | 3,552                | 3,560                | 3,552                | 3,268                |
| Natural Resources         | 1,897                | 1,928                | 1,956                | 1,895                |
| Development               | 773                  | 770                  | 796                  | 797                  |
| Transportation            | <u>2,826</u>         | <u>2,833</u>         | <u>2,741</u>         | <u>2,658</u>         |
| Totals                    | <u><u>15,397</u></u> | <u><u>15,398</u></u> | <u><u>15,564</u></u> | <u><u>15,015</u></u> |

**NOTE:**

Full-time equivalent employees are calculated using the total number of hours worked, divided by the number of hours worked during the year by a full-time employee.

**STATE OF ALASKA**  
**Operating Information - Operating Indicators by Function**  
**Last Ten Fiscal Years**

**SCHEDULE E-2**

| <b>FUNCTION</b>  | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|--|-------------|-------------|-------------|-------------|
| Alaska Permanent Fund Dividend                               |             |             |             |             |
| Number of Dividends Paid <sup>a</sup>                        | -           | 598,378     | 595,567     | 589,378     |
| Education  |             |             |             |             |
| Student Enrollment in State Supported                        |             |             |             |             |
| Schools (pre-elementary through grade 12)                    | 132,970     | 133,930     | 134,364     | 134,358     |
| University   |             |             |             |             |
| Student Enrollment in the State University                   |             |             |             |             |
| System (average head count over both semesters)              | 32,786      | 34,111      | 33,752      | 31,043      |
| Health and Human Services                                    |             |             |             |             |
| Medicaid Beneficiaries                                       | 125,942     | 119,321     | 116,841     | 110,569     |
| Welfare Caseload   | 4,660       | 5,017       | 5,507       | 6,025       |
| Protective Services Reports Regarding Children <sup>b</sup>  | 9,576       | 10,017      | 11,695      | 12,154      |
| Law and Justice  |             |             |             |             |
| Criminal Caseload - Misdemeanors                             | 22,569      | 22,700      | 22,238      | 22,041      |
| Criminal Caseload - Felonies and Appeals                     | 10,166      | 9,913       | 9,146       | 8,556       |
| Civil Caseload   | 5,201       | 5,355       | 5,518       | 5,068       |
| Public Protection  |             |             |             |             |
| Adult Offenders in Correctional Facilities                   | 4,809       | 4,724       | 4,748       | 4,644       |
| Juvenile Offenders in Detention or Treatment Facilities      | 234         | 247         | 305         | 285         |
| National Guard Assigned Strength in Alaska <sup>a</sup>      | -           | 4,009       | 3,955       | 3,941       |
| Number of Homicides Investigated by State Troopers           | 23          | 15          | 12          | 12          |
| Natural Resources  |             |             |             |             |
| Wholesale Value of Alaska Commercial Fish                    |             |             |             |             |
| Harvests (stated in thousands of dollars) <sup>a</sup>       | -           | 1,700,278   | 1,555,726   | 1,445,470   |
| Recreation Acres State Owned or Maintained                   | 11,183,929  | 11,361,029  | 11,388,366  | 11,338,380  |
| State Timber Sold Annually (million board feet) <sup>d</sup> | 27.5        | 11.7        | 18.7        | 15.5        |
| State Acreage Leased for Oil and Gas Development             | 3,972,538   | 4,101,542   | 4,849,396   | 6,225,000   |
| Placer Mines Permitted <sup>d</sup>                          | 316         | 320         | 310         | 287         |
| Development  |             |             |             |             |
| Number of State Business Licenses                            | 67,229      | 70,537      | 74,599      | 73,047      |
| Transportation   |             |             |             |             |
| Number of State Maintained Road Miles                        | 6,098       | 6,077       | 6,024       | 6,011       |
| State Ferry Route Miles                                      | 2,866       | 2,866       | 2,866       | 2,775       |
| Intergovernmental Revenue Sharing                            |             |             |             |             |
| Number of Communities that Receive a Portion of Shared       |             |             |             |             |
| Taxes and Fees   | 140         | 139         | 138         | 141         |
| Loans  |             |             |             |             |
| Number of Loans in Portfolio                                 | 2,183       | 2,149       | 2,228       | 2,286       |
| Unemployment Compensation                                    |             |             |             |             |
| Initial Claims Paid <sup>a, d</sup>                          | -           | 103,240     | 113,604     | 114,916     |
| Airports <sup>c</sup>  |             |             |             |             |
| Landings:  |             |             |             |             |
| Jets   | 77,074      | 72,486      | 72,663      | 70,161      |
| Other Aircraft   | 47,564      | 49,082      | 48,933      | 51,561      |
| Passengers:  |             |             |             |             |
| In   | 2,852,820   | 2,696,409   | 2,614,179   | 2,624,631   |
| Out  | 2,849,651   | 2,686,048   | 2,608,440   | 2,634,245   |
| Through  | 394,324     | 421,472     | 446,000     | 513,076     |
| Freight (in tons):   |             |             |             |             |
| In   | 297,752     | 255,958     | 257,715     | 236,834     |
| Out  | 352,339     | 267,749     | 277,857     | 259,036     |

**SOURCES:**

Various state departments and the University of Alaska.

**NOTES:**

Indicators are not available for the general government function.

<sup>a</sup> Data is only provided on a calendar year basis.

<sup>b</sup> A change was made to the methodology of gathering this statistic, starting in 2005, to bring it into compliance with federal requirements.

<sup>c</sup> Consists of data for the Anchorage and Fairbanks International Airports.

<sup>d</sup> Data for some prior years is not available.

SCHEDULE E-2

| 2001       | 2000       | 1999       | 1998       | 1997       | 1996       |
|------------|------------|------------|------------|------------|------------|
| 586,187    | 583,040    | 572,790    | 565,256    | 554,733    | 546,040    |
| 133,356    | 134,391    | 135,778    | 131,303    | 129,919    | 127,762    |
| 30,557     | 30,076     | 30,871     | 31,658     | 32,497     | 32,753     |
| 105,698    | 96,862     | 80,699     | 73,859     | 71,179     | 69,608     |
| 6,123      | 7,596      | 8,890      | 10,514     | 12,096     | 12,019     |
| 13,796     | 12,834     | 12,215     | 11,845     | 10,363     | 9,856      |
| 19,997     | 19,077     | 18,832     | 20,442     | 19,543     | 20,064     |
| 8,168      | 8,218      | 7,805      | 7,676      | 7,527      | 6,861      |
| 5,311      | 5,370      | 5,392      | 5,792      | 6,636      | 6,665      |
| 4,403      | 4,294      | 4,301      | 4,315      | 3,245      | 3,099      |
| 274        | 295        | 293        | 293        | 264        | 248        |
| 3,689      | 3,648      | 3,718      | 3,827      | 3,910      | 3,929      |
| 14         | 21         | 27         | 18         | 19         | 22         |
| 1,450,141  | 1,633,553  | 1,922,450  | 1,514,242  | 1,719,075  | 1,779,341  |
| 11,320,100 | 11,126,530 | 11,338,380 | 11,338,380 | 11,338,380 | 11,338,380 |
| 8.9        | 20.8       | 14.6       | 45.6       | -          | -          |
| 4,190,209  | 3,479,479  | 3,456,084  | 3,409,072  | 2,996,463  | 2,620,825  |
| 301        | 360        | 336        | 475        | 412        | -          |
| 73,617     | 73,540     | 73,936     | 73,348     | 72,646     | 66,949     |
| 5,943      | 6,031      | 6,041      | 6,045      | 5,979      | 5,958      |
| 2,775      | 2,775      | 2,775      | 2,865      | 2,865      | 2,865      |
| 142        | 141        | 146        | 135        | 139        | 135        |
| 2,316      | 2,286      | 2,323      | 2,355      | 2,396      | 2,291      |
| 97,523     | 107,232    | 116,951    | 117,999    | 117,909    | -          |
| 71,075     | 69,901     | 66,831     | 66,301     | 59,164     | 54,736     |
| 51,104     | 49,471     | 47,984     | 56,275     | 58,215     | 56,027     |
| 2,653,474  | 2,588,078  | 2,522,005  | 2,532,369  | 2,548,920  | 2,412,824  |
| 2,658,282  | 2,600,238  | 2,538,998  | 2,531,986  | 2,547,063  | 2,428,340  |
| 675,390    | 694,662    | 734,715    | 779,953    | 802,424    | 699,884    |
| 242,323    | 247,658    | 227,259    | 103,288    | 90,903     | 95,440     |
| 262,935    | 266,363    | 253,329    | 159,669    | 149,686    | 148,380    |

**STATE OF ALASKA**  
**Operating Information - Capital Asset Statistics by Function**  
**Last Four Fiscal Years**

**SCHEDULE E-3**

| <b>FUNCTION</b>                                   | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|---|-------------|-------------|-------------|-------------|
| Primary Government:                               |             |             |             |             |
| General Government                                |             |             |             |             |
| Buildings (square feet)                           | 731,101     | 691,070     | 930,674     | 722,847     |
| Education   |             |             |             |             |
| Buildings (square feet)                           | 2,832,934   | 2,923,628   | 2,962,440   | 2,862,070   |
| Schools   | 129         | 145         | 144         | 142         |
| Schools Under Construction                        | 10          | 8           | 12          | 16          |
| Health and Human Services                         |             |             |             |             |
| Buildings (square feet)                           | 858,468     | 852,057     | 1,100,412   | 840,707     |
| Pioneer Homes                                     | 6           | 6           | 6           | 6           |
| Law and Justice                                   |             |             |             |             |
| Buildings (square feet)                           | 512,094     | 481,805     | 602,962     | 470,832     |
| Court Buildings                                   | 12          | 13          | 12          | 13          |
| Public Protection                                 |             |             |             |             |
| Buildings (square feet)                           | 1,253,724   | 1,224,620   | 1,515,444   | 1,116,699   |
| Correctional Institutions                         | 11          | 11          | 11          | 11          |
| Aircraft  | 16          | 14          | 14          | 12          |
| Motor Vessels                                     | 18          | 16          | 16          | 19          |
| National Guard Armories <sup>a</sup>              | 20          | 10          | 10          | 10          |
| Natural Resources                                 |             |             |             |             |
| Buildings (square feet)                           | 669,406     | 663,345     | 834,591     | 647,531     |
| Parks Acreage                                     | 3,325,939   | 3,325,939   | 3,353,276   | 3,303,290   |
| Forest Acreage                                    | 2,066,000   | 2,243,100   | 2,243,100   | 2,243,100   |
| Other State Land Acreage                          | 82,967,314  | 82,797,376  | 83,779,277  | 83,825,572  |
| Aircraft  | 3           | 3           | 3           | 3           |
| Motor Vessels                                     | 9           | 8           | 11          | 11          |
| Development                                       |             |             |             |             |
| Buildings (square feet)                           | 272,816     | 264,948     | 339,321     | 272,408     |
| Transportation                                    |             |             |             |             |
| Buildings (square feet)                           | 997,525     | 974,654     | 1,169,505   | 908,041     |
| Light Duty Vehicles                               | 3,323       | 3,433       | 3,403       | 3,351       |
| Heavy Duty Utility Vehicles                       | 1,824       | 1,828       | 1,795       | 1,789       |
| Ferries   | 11          | 10          | 11          | 10          |
| Building Projects Under Construction              | 94          | 101         | 108         | 123         |
| Rural Airports                                    | 258         | 260         | 259         | 259         |
| Rural Airport Projects Under Construction         | 415         | 397         | 361         | 343         |
| Centerline Road Miles <sup>b</sup>                | -           | 5,612       | 5,562       | 5,557       |
| Highway Projects Under Construction               | 766         | 760         | 768         | 779         |
| Business-type Activities:                         |             |             |             |             |
| Airports (Anchorage and Fairbanks International)  |             |             |             |             |
| Terminals (square feet)                           | 1,178,602   | 773,681     | 783,900     | 765,449     |
| International Airport (acreage)                   | 8,153       | 8,153       | 8,153       | 8,153       |
| International Airport Projects Under Construction | 162         | 187         | 213         | 211         |
| Runways (miles)                                   | 6           | 6           | 6           | 6           |

**NOTES:**

<sup>a</sup> Increase in National Guard Armories were the result of a federal review for state owned armories that were not recognized in previous years.

<sup>b</sup> Centerline road miles are calculated on a calendar year basis.

# Index of Funds

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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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| Fund Description  | Authority   | Separately<br>Reported? | Fund or<br>Group | Statement<br>Number |
|---|---|-------------------------|------------------|---------------------|
| Accelerated Alaska Transportation Projects                          | Ch 114, SLA 2002  | Yes                     | CPF              | 3.51, 3.52          |
| Adak Airport Operations   | PL 101-510  | No                      | GF               | 3.11, 3.12          |
| Agricultural Revolving Loan   | AS 03.10.040  | Yes                     | OAEF             | 4.31 - 4.33         |
| Alaska Aerospace Development Corporation                            | AS 14.40.841  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Capital Income   | AS 37.05.545  | No                      | GF               | 3.11, 3.12          |
| Alaska Children's Trust   | AS 37.14.200  | No                      | GF               | 3.11, 3.12          |
| Alaska Clean Water  | AS 46.03.032-036<br>and 37.15.565   | Yes                     | OAEF             | 4.31 - 4.33         |
| Alaska Debt Retirement  | AS 37.15.011  | No                      | GF               | 3.11, 3.12          |
| Alaska Drinking Water   | AS 46.03.036-038<br>and 37.15.565   | Yes                     | OAEF             | 4.31 - 4.33         |
| Alaska Energy Authority   | AS 44.83.020  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Historical Commission Receipts Account                       | AS 41.35.380  | No                      | GF               | 3.11, 3.12          |
| Alaska Housing Finance Corporation                                  | AS 18.56.020  | Yes                     | DPCU             | 1.41, 1.42          |
| Alaska Industrial Development and Export<br>Authority               | AS 44.88.020<br>AS 44.88.600<br>Ch 42, SLA 1987                                 | Yes                     | DPCU             | 1.41, 1.42          |
| Alaska Marine Highway System  | AS 19.65.060  | No                      | GF               | 3.11, 3.12          |
| Alaska Marine Highway System Vessel<br>Replacement                  | AS 37.05.550  | No                      | GF               | 3.11, 3.12          |
| Alaska Mental Health Trust Authority                                | AS 47.30.011  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Municipal Bond Bank Authority                                | AS 44.85.020  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska National Guard and Alaska Naval Militia<br>Retirement System | AS 26.05.222  | Yes                     | PTF              | 5.01, 5.02          |
| Alaska Natural Gas Development Authority                            | AS 41.41.010  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Permanent Fund   | Constitution, Art. IX, sec. 15  | Yes                     | PF               | 1.11 - 1.13         |
| Alaska Public Building  | AS 37.05.570  | Yes                     | ISF              | 4.41 - 4.43         |
| Alaska Railroad Corporation   | AS 42.40.010  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Student Loan Corporation                                     | AS 14.42.100  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Technical and Vocational Education<br>Program                | AS 23.15.830  | No                      | GF               | 3.11, 3.12          |
| Alaska Transportation Infrastructure Bank                           | Section 350 of the NHSD<br>Act of 1995 Federal Law                              | No                      | GF               | 3.11, 3.12          |
| Alaska Veterans' Memorial Endowment                                 | AS 37.14.700(a)   | Yes                     | GF               | 3.11, 3.12          |
| Alaska World War II Veterans' Revolving Loan                        | AS 26.15.090  | Yes                     | CAEF             | 4.11 - 4.13         |
| Alcohol and Other Drug Abuse Treatment and<br>Prevention            | AS 43.60.050  | No                      | GF               | 3.11, 3.12          |
| Alcoholism and Drug Abuse Revolving Loan                            | AS 44.29.210  | Yes                     | OAEF             | 4.31 - 4.33         |
| Alternative Energy Revolving Loan                                   | AS 45.88.010  | Yes                     | EAEF             | 4.21 - 4.23         |
| Alyeska Settlement Trust  | Consent decree between U.S.,<br>Alaska, and Alyeska Pipeline<br>Service Company | Yes                     | SRF              | 3.31, 3.32          |
| Anatomical Gift Awareness   | AS 13.50.160(a)   | No                      | GF               | 3.11, 3.12          |
| Art in Public Places  | AS 44.27.060  | No                      | GF               | 3.11, 3.12          |



**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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| Fund Description  | Authority   | Separately<br>Reported? | Fund or<br>Group | Statement<br>Number |
|---|---|-------------------------|------------------|---------------------|
| Assistive Technology Loan Guarantee   | AS 23.15.125  | No                      | GF               | 3.11, 3.12          |
| Budget Reserve - Statutory  | AS 37.05.540  | No                      | GF               | 3.11, 3.12          |
| Building Safety Account   | AS 44.31.025  | No                      | GF               | 3.11, 3.12          |
| Child Care Facility Revolving Loan  | AS 44.33.240  | Yes                     | CAEF             | 4.11 - 4.13         |
| Clean Air Protection  | AS 46.14.260 and<br>Federal Clean Air Act                                     | Yes                     | SRF              | 3.31 - 3.33         |
| Commercial Fishing Revolving Loan   | AS 16.10.340  | Yes                     | CAEF             | 4.11 - 4.13         |
| Commercial Passenger Vessel Environmental<br>Compliance                                   | AS 46.03.482  | No                      | GF               | 3.11, 3.12          |
| Constitutional Budget Reserve   | Constitution, Art. IX, sec. 17 and<br>AS 37.13                                | Yes                     | GF               | 3.11, 3.12          |
| Correctional Industries   | AS 33.32.020  | Yes                     | ISF              | 4.41 - 4.43         |
| Deferred Compensation   | AS 39.45.010  | Yes                     | PTF              | 5.01, 5.02          |
| Deposits, Suspense, and Miscellaneous   |   | Yes                     | AF               | 5.11, 5.12          |
| Disaster Relief   | AS 26.23.300  | No                      | GF               | 3.11, 3.12          |
| Donated Commodity Fee   | USC 7 CFR, Part 250   | No                      | GF               | 3.11, 3.12          |
| Educational and Museum Facility Design,<br>Construction, and Major Maintenance (GO Bonds) | Ch 2, SSSLA 2002  | Yes                     | CPF              | 3.51, 3.52          |
| Educational Facilities Maintenance and<br>Construction                                    | AS 37.05.560  | No                      | GF               | 3.11, 3.12          |
| Election  | Federal H.R. 3295   | No                      | GF               | 3.11, 3.12          |
| Employment Assistance and Training Program<br>Account                                     | AS 23.15.625  | No                      | GF               | 3.11, 3.12          |
| Exxon Valdez Oil Spill Investment Trust   | PL 106-113  | Yes                     | AF               | 5.11, 5.12          |
| Exxon Valdez Oil Spill Restoration  | U.S. District Court Judgment  | Yes                     | SRF              | 3.31 - 3.33         |
| Exxon Valdez Oil Spill Unincorporated Rural<br>Community Grant                            | AS 44.33.115  | No                      | GF               | 3.11, 3.12          |
| Exxon Valdez Settlement Trust   | AS 37.14.400  | Yes                     | SRF              | 3.31 - 3.33         |
| FHWA - Airspace Leases  | Section 156 of the<br>USSTURAA of 1987  | No                      | GF               | 3.11, 3.12          |
| FICA Administration   | AS 39.30.050  | No                      | GF               | 3.11, 3.12          |
| Fish and Game   | AS 16.05.100  | Yes                     | SRF              | 3.31 - 3.33         |
| Fisheries Disaster  | PL 108-7, SEC 2, Division N,<br>Title V - Fisheries Disaster,<br>Sec. 501 (a) | No                      | GF               | 3.11, 3.12          |
| Fisheries Enhancement Revolving Loan  | AS 16.10.505  | Yes                     | CAEF             | 4.11 - 4.13         |
| Fishermen's   | AS 23.35.060  | Yes                     | SRF              | 3.31 - 3.33         |
| Fuel Emergency  | AS 26.23.400  | No                      | GF               | 3.11, 3.12          |
| Fund for the Improvement of School Performance  | AS 14.03.125  | No                      | GF               | 3.11, 3.12          |
| General Fund  | Operating fund of the State   | Yes                     | GF               | 3.11, 3.12          |
| General Obligation Bond Redemption  | Various SLA's   | Yes                     | DSF              | 3.41, 3.42          |
| Group Health and Life Benefits  | AS 39.30.095  | Yes                     | ISF              | 4.41 - 4.43         |
| Highways Equipment Working Capital  | AS 44.68.210  | Yes                     | ISF              | 4.41 - 4.43         |

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| Fund Description   | Authority   | Separately<br>Reported? | Fund or<br>Group | Statement<br>Number |
|--|---|-------------------------|------------------|---------------------|
| Historical District Revolving Loan                                   | AS 45.98.010  | Yes                     | CAEF             | 4.11 - 4.13         |
| Impact Aid   | Federal PL 103-382  | Yes                     | AF               | 5.11, 5.12          |
| Information Services   | AS 44.21.045  | Yes                     | ISF              | 4.41 - 4.43         |
| International Airports   | AS 37.15.410-550  | Yes                     | EF               | 1.21 - 1.23         |
| Investment Loss Trust  | AS 37.14.300  | No                      | PTF/SBS          | 5.01, 5.02          |
| Judicial Retirement System   | AS 22.25.048  | Yes                     | PTF              | 5.01, 5.02          |
| Knik Arm Bridge and Toll Authority                                   | AS 19.75.021  | Yes                     | OAEF             | 4.31 - 4.33         |
| Major Maintenance Grant  | AS 14.11.007  | No                      | GF               | 3.11, 3.12          |
| Memorial Education Revolving Loan                                    | AS 14.43.255  | Yes                     | GF               | 3.11, 3.12          |
| Mining Revolving Loan  | AS 27.09.010  | Yes                     | CAEF             | 4.11 - 4.13         |
| Municipal Capital Project Matching Grant                             | AS 37.06.010  | No                      | GF               | 3.11, 3.12          |
| National Petroleum Reserve   | AS 37.05.530  | Yes                     | SRF              | 3.31 - 3.33         |
| Northern Tobacco Securitization Corporation                          | AS 18.56.086  | Yes                     | SRF              | 3.31 - 3.33         |
| Northern Tobacco Securitization Corporation Bond<br>Redemption       | AS 18.56.086  | Yes                     | DSF              | 3.41, 3.42          |
| Oil and Hazardous Substance Release Prevention<br>and Response       | AS 46.08.010  | No                      | GF               | 3.11, 3.12          |
| Oil and Hazardous Substance Release Prevention<br>Mitigation Account | AS 46.08.020(b)   | No                      | GF               | 3.11, 3.12          |
| Oil and Hazardous Substance Release Response<br>Mitigation Account   | AS 46.08.025(b)   | No                      | GF               | 3.11, 3.12          |
| Permanent Fund Dividend  | AS 43.23.045  | Yes                     | GF               | 3.11, 3.12          |
| Public Advocacy Trust  | AS 44.21.410  | Yes                     | AF               | 5.11, 5.12          |
| Public Education   | AS 14.17.300  | No                      | GF               | 3.11, 3.12          |
| Public Employees' Retirement System                                  | AS 39.35.020  | Yes                     | PTF              | 5.01, 5.02          |
| Public School Trust  | AS 37.14.110  | Yes                     | PF               | 3.01, 3.02          |
| Railbelt Energy  | AS 37.05.520  | No                      | GF               | 3.11, 3.12          |
| Randolph-Sheppard Small Business                                     | AS 23.15.130 and 20<br>USC 107-107(f)                     | No                      | GF               | 3.11, 3.12          |
| Real Estate Surety   | AS 08.88.450  | No                      | GF               | 3.11, 3.12          |
| Reclamation Bonding Pool   | AS 27.19.040  | Yes                     | SRF              | 3.31 - 3.33         |
| Residential Energy Conservation                                      | AS 45.89.010  | Yes                     | EAEF             | 4.21 - 4.23         |
| Retiree Health   | AS 26.05.020, AS 22.25.048,<br>AS 39.35.020, AS 14.25.010 | Yes                     | PTF              | 5.01, 5.02          |
| School   | AS 43.50.140  | Yes                     | SRF              | 3.31 - 3.33         |
| School Construction Grant  | AS 14.11.005  | No                      | GF               | 3.11, 3.12          |
| School Trust Land Sales  | Attorney General Opinion                                  | No                      | GF               | 3.11, 3.12          |
| Second Injury  | AS 23.30.040  | Yes                     | SRF              | 3.31 - 3.33         |
| Senior Care  | Ch 3, SLA 2004  | No                      | GF               | 3.11, 3.12          |
| Small Business Revolving Loan  | AS 45.95.060  | Yes                     | CAEF             | 4.11 - 4.13         |
| State Insurance Catastrophe Reserve Account                          | AS 37.05.289  | No                      | GF               | 3.11, 3.12          |
| State Land Disposal Income   | AS 38.04.022(a)   | No                      | GF               | 3.11, 3.12          |
| State Land Reforestation   | AS 41.17.300  | No                      | GF               | 3.11, 3.12          |
| Storage Tank Assistance  | AS 46.03.410  | No                      | GF               | 3.11, 3.12          |
| Supplemental Benefits System   | AS 39.30.150  | Yes                     | PTF              | 5.01, 5.02          |

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**INDEX OF FUNDS**

| <b>Fund Description</b>  | <b>Authority</b>                    | <b>Separately<br/>Reported?</b> | <b>Fund or<br/>Group</b> | <b>Statement<br/>Number</b> |
|--|-------------------------------------|---------------------------------|--------------------------|-----------------------------|
| Surplus Property Revolving                                       | AS 37.05.500(a)(2)<br>and 44.68.130 | No                              | GF                       | 3.11, 3.12                  |
| TAPS Rebate  | Federal PL 101-380                  | No                              | GF                       | 3.11, 3.12                  |
| Teachers' Retirement System                                      | AS 14.25.010                        | Yes                             | PTF                      | 5.01, 5.02                  |
| Tobacco Use Education and Cessation                              | AS 37.05.580                        | No                              | GF                       | 3.11, 3.12                  |
| Training and Building  | AS 23.20.130(d)                     | No                              | GF                       | 3.11, 3.12                  |
| Transportation Projects (GO Bonds)                               | Ch 114, SLA 2002                    | Yes                             | CPF                      | 3.51, 3.52                  |
| Unemployment Compensation  | AS 23.20.130                        | Yes                             | OAEF                     | 4.31 - 4.33                 |
| Unincorporated Community Capital Project<br>Matching Grant       | AS 37.06.020                        | No                              | GF                       | 3.11, 3.12                  |
| University of Alaska   | AS 14.40.040                        | Yes                             | DPCU                     | 1.41, 1.42                  |
| Vocational Rehabilitation Small Business<br>Enterprise Revolving | AS 23.15.130                        | No                              | GF                       | 3.11, 3.12                  |
| Wage and Hour  |                                     | Yes                             | AF                       | 5.11, 5.12                  |
| Workers' Safety and Compensation Administration<br>Account       | AS 23.05.067                        | No                              | GF                       | 3.11, 3.12                  |



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# Legend of Acroynms

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**LEGEND OF ACRONYMS**

| <b>Acronym</b> | <b>Description</b>   |
|----------------|--|
| AF             | Agency Fund  |
| AHFC           | Alaska Housing Finance Corporation   |
| AIDEA          | Alaska Industrial Development and Export Authority                         |
| ANGDA          | Alaska Natural Gas Development Authority                                   |
| AS             | Alaska Statute   |
| ASTF           | Alaska Science and Technology Foundation                                   |
| CAEF           | Commercial Assistance Enterprise Fund                                      |
| CFR            | Code of Federal Regulations  |
| Ch             | Chapter  |
| CPF            | Capital Project Fund   |
| CSED           | Child Support Enforcement Division   |
| DPCU           | Discretely Presented Component Unit  |
| DSF            | Debt Service Fund  |
| DSMAF          | Deposits, Suspense, and Miscellaneous Agency Funds                         |
| EAEF           | Energy Assistance Enterprise Fund  |
| EF             | Enterprise Fund  |
| EVOS           | Exxon Valdez Oil Spill   |
| FHWA           | Federal Highway Administration   |
| FICA           | Federal Insurance Contributions Act  |
| GASBS          | Governmental Accounting Standards Board Statement                          |
| GF             | General Fund   |
| ISF            | Internal Service Fund  |
| KABTA          | Knik Arm Bridge and Toll Authority   |
| NR             | Not Reported in CAFR   |
| NTSC           | Northern Tobacco Securitization Corporation                                |
| OAEF           | Other Agencies Enterprise Fund   |
| PF             | Permanent Funds  |
| PL             | Public Law   |
| PSF            | Public School Fund   |
| PTF            | Pension and Other Employee Benefit Trust Fund                              |
| SBS            | Supplemental Benefits System   |
| SLA            | Session Laws of Alaska   |
| SRF            | Special Revenue Fund   |
| U of A         | University of Alaska   |
| USC            | United States Code   |
| USSTURAA       | United States Surface Transportation and Uniform Relocation Assistance Act |