

**State of Alaska**

# **Comprehensive Annual Financial Report**

**For the Fiscal Year  
July 1, 2006 – June 30, 2007**



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

The FY 2007 CAFR is expected to be available on or after December 31, 2007 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 \$20.83 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, 2007**

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# Introductory Section

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December 15, 2007

The Honorable Sarah Palin, 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, 2007. 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

### **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). 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, 2007, 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 and Revenue Shortfalls**

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 and expenditures are cyclic with high and low periods, which do not necessarily coincide. The first quarter expenditures of each fiscal year are generally 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. A memorandum of understanding outlines the steps to be taken in various scenarios involving a cash deficiency.

Borrowing from the CBRF has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by including 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. In FY 07, \$50 million was appropriated from the General Fund to the CBRF to pay back a portion of the borrowed amount owed. As of June 30, 2007, \$4.8 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 table on the following page shows General Fund revenues by category for the current and previous fiscal year. Clearly, the State's major source of unrestricted revenue is related to petroleum taxes, rents, and royalties. In FY 07, petroleum revenue was 59 percent of all General Fund revenues.

The largest source of nonpetroleum revenues is federal, which makes up 25 percent of revenues. Interest and investment income rose to comprise over 5 percent of General Fund revenues in FY 07.

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 07	Percent	FY 06	Percent
<u>Petroleum Revenue</u>				
Property Tax	\$ 65.7	0.8%	\$ 54.5	0.8%
Corporate Petroleum Income Tax	678.0	8.6%	702.2	10.4%
Severance Tax	2,339.0	29.6%	1,202.0	17.9%
Mineral Bonuses and Rents	22.2	0.2%	11.6	0.2%
Oil and Gas Royalties	1,584.1	20.0%	1,772.5	26.3%
Total Petroleum Revenue	4,689.0	59.2%	3,742.8	55.6%
<u>Nonpetroleum Revenue</u>				
Taxes	352.8	4.4%	375.2	5.6%
Licenses and Permits	108.7	1.4%	102.1	1.5%
Charges for Services	180.3	2.3%	158.2	2.4%
Fines and Forfeitures	32.0	0.4%	10.4	0.2%
Rents and Royalties	0.5	0.1%	18.2	0.3%
Interest and Investment Income	431.2	5.4%	179.0	2.6%
Other Revenue	126.4	1.6%	173.5	2.5%
Total Nonpetroleum Revenue	1,231.9	15.6%	1,016.6	15.1%
Federal Revenue	1,993.0	25.2%	1,970.4	29.3%
Total Revenues	\$ 7,913.9	100.0%	\$ 6,729.8	100.0%

The total expenditures charged against General Fund appropriations during FY 07 amounted to \$6,777 million, an increase of \$561 million from FY 06. These expenditures by department are compared with the prior year in the following table:

<u>Department Expenditures (stated in millions)</u>	FY 07	Percent	FY 06	Percent
Office of the Governor	\$ 55.5	0.8%	\$ 46.6	0.8%
Administration	127.6	1.9%	112.2	1.8%
Law	50.6	0.7%	57.7	0.9%
Revenue	765.2	11.3%	900.8	14.5%
Education and Early Development	1,280.6	18.9%	1,157.7	18.6%
Health and Social Services	1,772.0	26.1%	1,724.6	27.7%
Labor and Workforce Development	114.5	1.7%	115.3	1.9%
Commerce, Community, and Economic Development	451.5	6.7%	148.8	2.4%
Military and Veterans' Affairs	71.5	1.0%	72.0	1.2%
Natural Resources	127.9	1.9%	129.4	2.1%
Fish and Game	75.3	1.1%	77.1	1.2%
Public Safety	130.2	1.9%	119.1	1.9%
Environmental Conservation	134.6	2.0%	121.9	2.0%
Corrections	214.7	3.2%	194.0	3.1%
Transportation and Public Facilities	959.2	14.2%	856.1	13.8%
Legislature	47.0	0.7%	46.1	0.7%
Debt Service	13.2	0.2%	12.7	0.2%
Alaska Court System	77.6	1.1%	66.3	1.1%
University	308.6	4.6%	257.4	4.1%
Total Expenditures	\$ 6,777.3	100.0%	\$ 6,215.8	100.0%

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

Net assets at June 30, 2007 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$10.9 billion and \$4.9 billion respectively. The funding status for PERS and TRS as of the June 30, 2006, actuarial valuations, indicated the actuarial accrued liabilities were 65.7 percent funded for PERS, and 60.9 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. The price of oil has had its ups and downs over the years, and FY 07 was a good year. The Department of Revenue projected Alaska North Slope West Coast price of \$59.81 per barrel for FY 07 in its spring 2007 Revenue Sources Book. Actual Alaska North Slope oil prices were \$1.82 per barrel over that, averaging \$61.63 per barrel for the fiscal year. Record high oil prices were again set in FY 07; with a high price of \$75.73 set in July 2006. Oil price volatility continues however, and price fluctuations will persist as geopolitical tensions along with supply uncertainties exert pressure on world crude oil markets.

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, negotiating with producers for a gasline contract was a major initiative of the previous administration. A gas pipeline continues as a priority of the current administration, which proposed legislation to encourage expedited construction of a natural gas pipeline. The Alaska Gasline Inducement Act was passed by the Twenty-Fifth Legislature and signed into law on June 7, 2007. This legislation provides for reimbursements by the State of qualified expenditures up to \$500 million as an inducement for construction of a gas pipeline.

The increase in petroleum revenues collected in FY 07 is attributable to higher oil prices and the change in Alaska petroleum tax structure as discussed in the MD&A and further explained in Schedule B-2 of the statistical section of this report. The resulting surplus was used to repay a portion of the CBRF borrowing (\$50 million), with the remainder appropriated to the Alaska Capital Income Fund for capital projects.

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, 2006. This is the fourth 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.

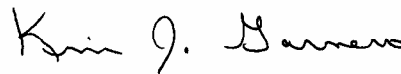
To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2007 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.

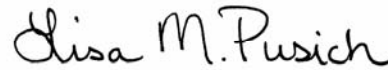
Sincerely,



Annette Kreitzer  
Commissioner  
Department of Administration



Kim J. Garner, CPA  
Director  
Division of Finance



Lisa M. Pusich, CPA  
State Accountant  
Division of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Alaska

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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.



*Charles S. Cox*

President

*Jeffrey R. Emer*

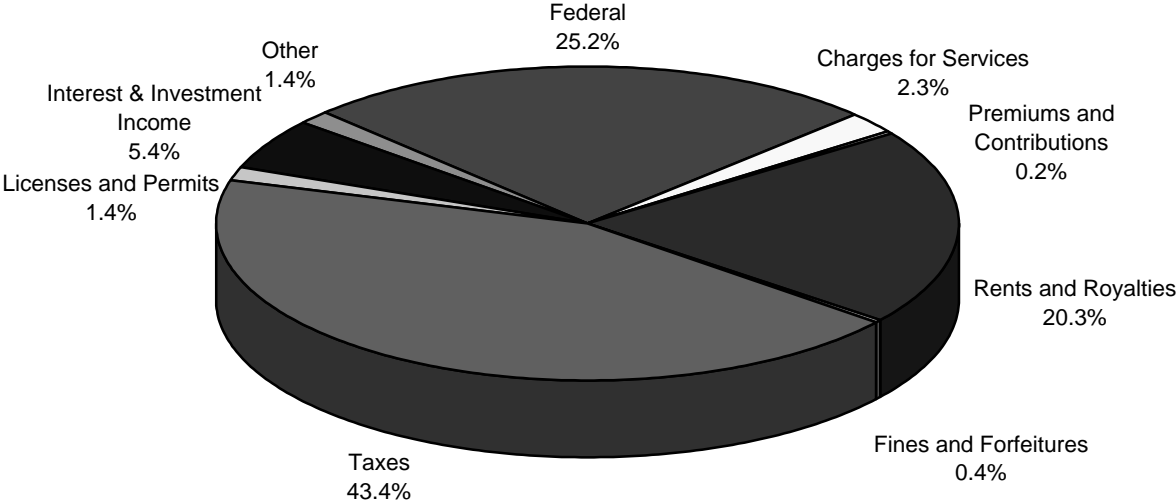
Executive Director



# STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

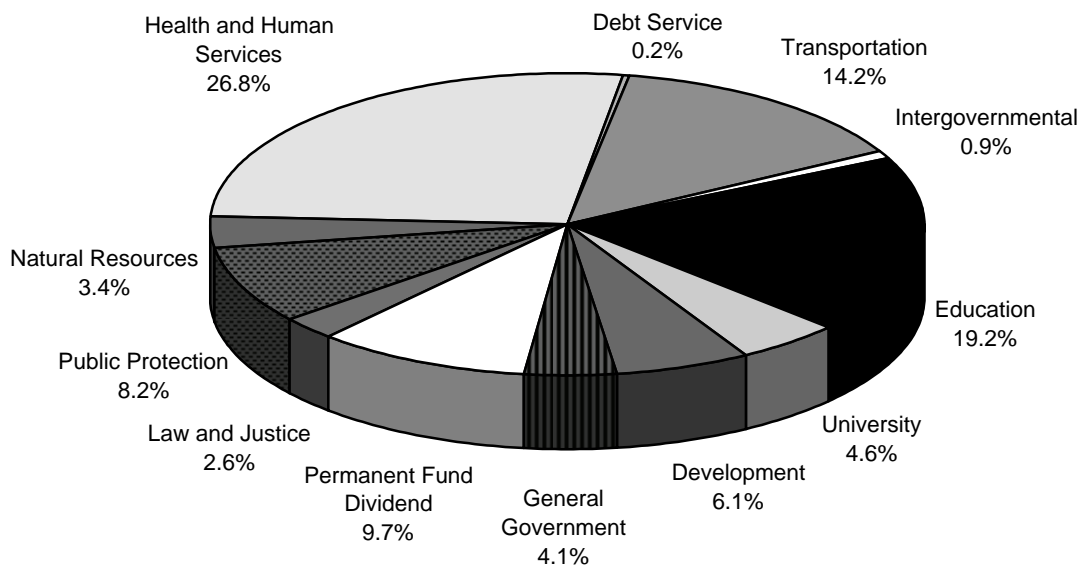
\$7,914  
(Millions)



# STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

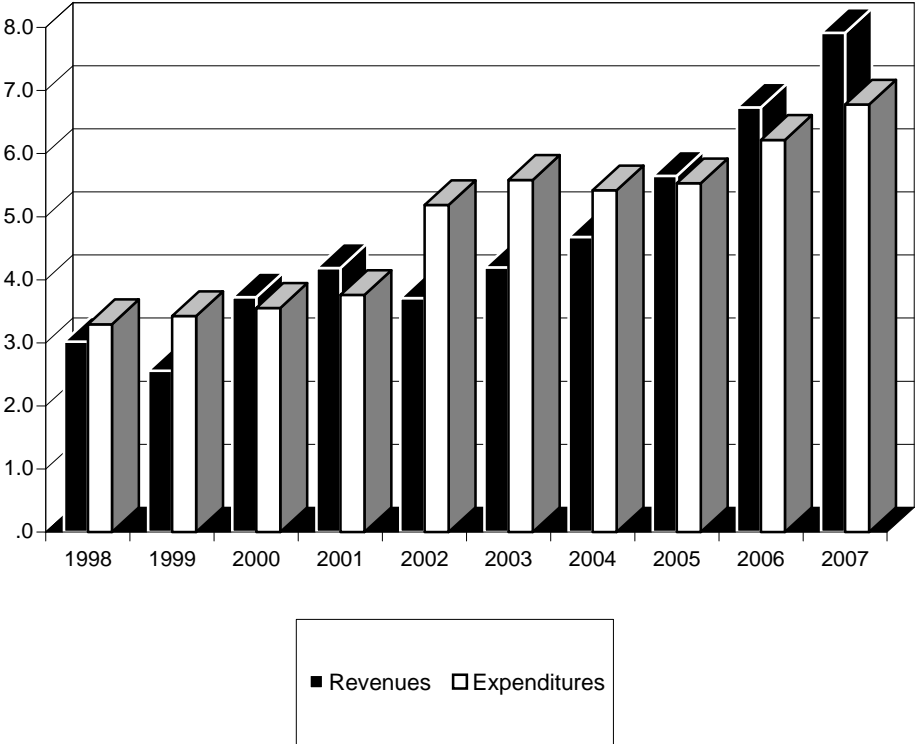
\$6,777  
(Millions)



# STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

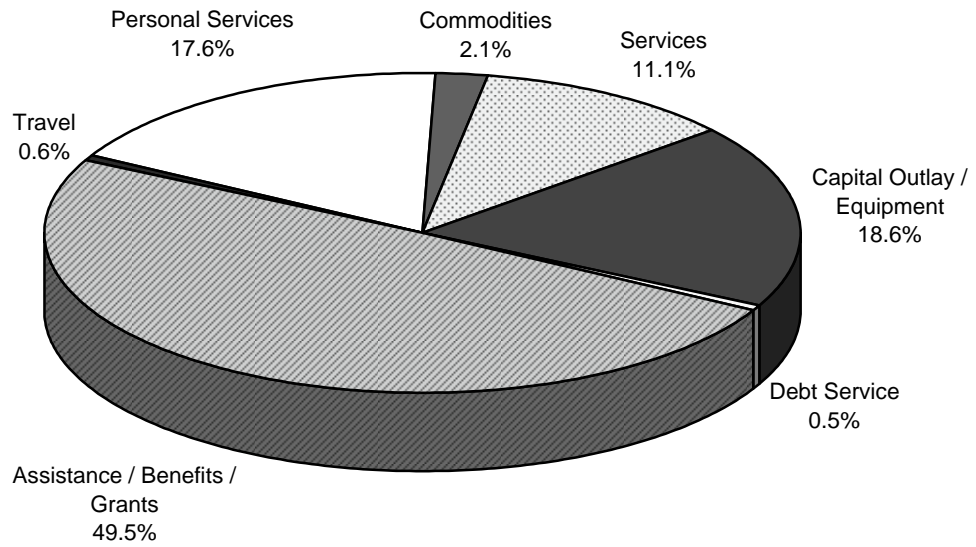
TEN YEAR COMPARISON  
FOR THE FISCAL YEARS 1998 THROUGH 2007

(Stated in Billions)



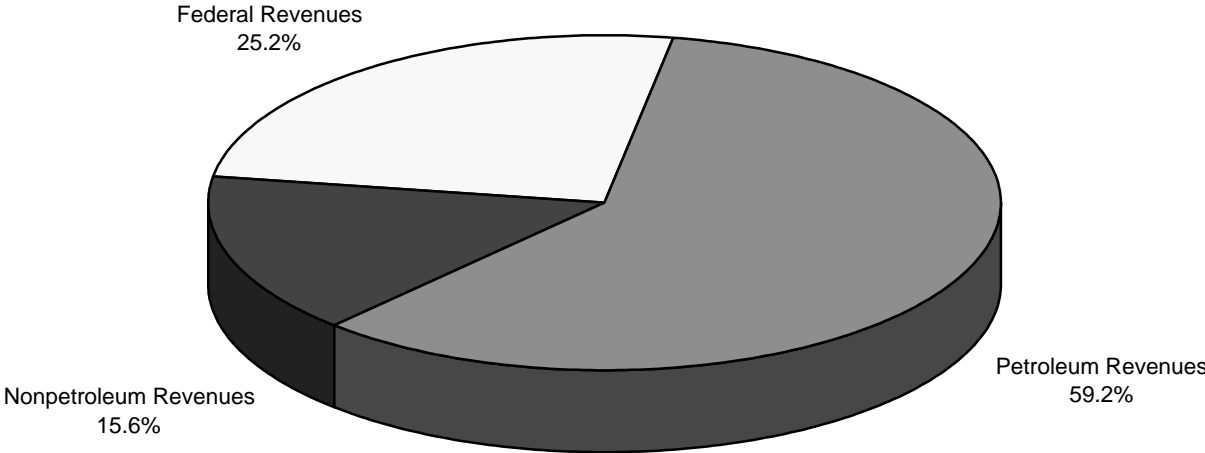
# STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



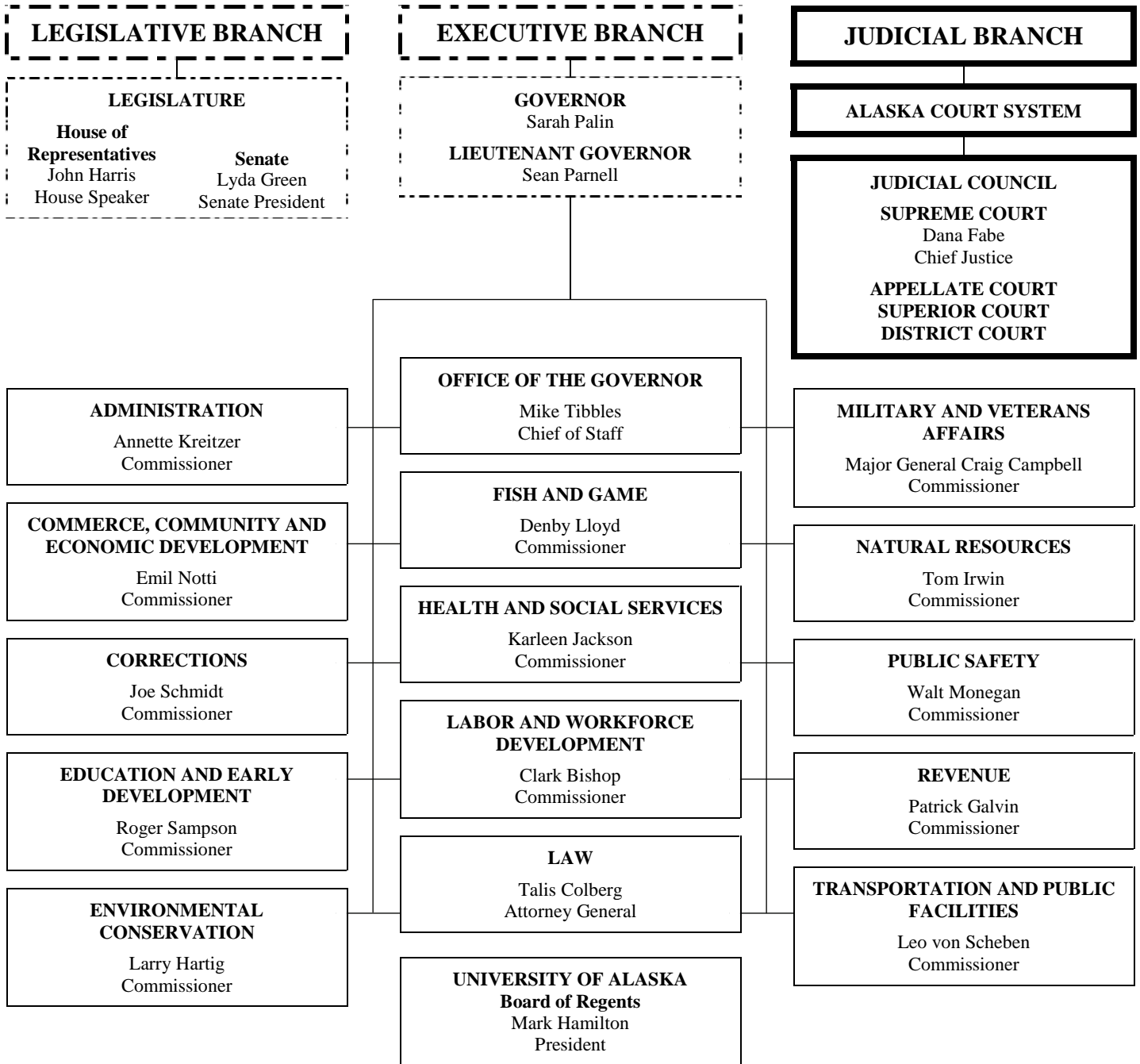
# STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



# STATE OF ALASKA ORGANIZATION CHART

## (As of June 30, 2007)



- 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**

The Department of Administration centralizes services to provide more efficient, cost-effective support to state agencies and Alaskans. Services to state agencies include: Labor Relations and Personnel, Finance (payroll, accounting, disbursements), General Services (purchasing, supply, mail, managing public buildings), Risk Management, and Enterprise Technology Services (telecommunications and computer services).

The department also provides services to the public through the: Division of Motor Vehicles, Office of Public Advocacy, Public Defender Agency, Alaska Public Offices Commission, Alaska Oil and Gas Conservation Commission, Alaska Public Broadcasting Commission, Office of Administrative Hearings, and Violent Crimes Compensation Board.

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

The Department of Commerce, Community, and Economic Development provides consumer protection through the regulation of banking, securities and corporations, insurance, professional occupations, and business licensing.

The department 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. It also administers several loan programs. The department fosters the development of independent local governments by providing technical, financial, and program assistance to communities. It also includes: the Alaska Seafood Marketing Institute, Regulatory Commission of Alaska, Alaska Industrial Development and Export Authority, Alaska Energy 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 12 correctional facilities and jails that 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 that 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's regulatory agency responsible for protection of the environment and protection of citizens from unsafe sanitary practices.

To accomplish these results, the department establishes protective standards; cleans-up and controls pollution to air, land and water; controls sanitary practices related to food, drinking water and solid waste; and enforces these controls. Services to communities include financial and technical assistance for upgrading water, sewage and solid waste, assistance meeting health-based standards for air quality, and positioning of oil spill response equipment.

Through partnerships with Alaska citizens, businesses, and communities, the department works to safely manage and reduce pollution and hazards to the environment and human health.

## **FISH AND GAME**

The Department of Fish and 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' mission is to promote and protect the health and well-being of Alaskans. To achieve that goal, the department focuses on developing, implementing and maintaining a system of health care and social services that balances the cost of, access to, and quality of care. In addition, the department fosters collaboration among stakeholders statewide to develop and maintain a strong health care and social services delivery system in Alaska.

The department's primary programs include: operation of the Alaska Veterans and Pioneers Homes, support services for seniors and disabled Alaskans; child protection and family preservation services; operation of youth detention facilities and assisting offenders and their families in developing skills to prevent crime; and providing basic supports for vulnerable individuals who are unable to provide for themselves. In addition, the department is committed to prevention of illness, health promotion and protection; overseeing community-based mental health and substance abuse services across the continuum of care (prevention, early intervention, treatment and recovery programs), including operation of the Alaska Psychiatric Institute; and provision of Medicaid services for low income and disabled Alaskans.

## **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 Fishermen'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 are the Alaska Workforce Investment Board and the Alaska Vocational Technical Center.

## **LAW**

The Department of Law is responsible for the prosecution and conviction of criminal offenders in Alaska to ensure safe communities. The department 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. It also 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 Office of Veterans Affairs, the 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. 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**

The Department of Natural Resources manages all state-owned land, water and natural resources, except fish and game, but including fish habitat and passage. These resources include approximately 92.1 million acres of uplands; 60 million acres of tidelands, shorelands, and submerged lands; and 40,000 miles of coastline. 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; and stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic value. The department is also responsible for determining the potential of geologic hazards to people and facilities in Alaska due to volcanic and seismic activity, and for maintenance and accessibility of the state's land records.

The department serves the state from offices located in 34 Alaskan communities, and encompasses the divisions of Agriculture, Forestry, Geological & Geophysical Surveys, Mining Land & Water, Oil & Gas, and Parks & Outdoor Recreation; the offices of Habitat Management and

Permitting, Project Management and Permitting, Mental Health Trust Land, and the Joint Pipeline Office; and the Natural Resource Conservation and Development Board. The department is responsible for the two largest oil and gas fields in North America; a park system that contains one-third of the nation's state park lands; 40% of the nation's fresh water; fire suppression management for over 134 million acres; forest resource management in two state forests totaling 2 million acres; mineral management involving 40,018 mining claims; and an agricultural program that encompasses 640 farms.

## **PUBLIC SAFETY**

The Department of Public Safety is responsible for the 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**

The Department of Revenue administers and enforces tax and charitable gaming laws; collects, invests, and manages state funds and public employee pension trust funds; administers the Permanent Fund Dividend, Shared Taxes and Child Support Services programs; administers licensing programs mandated by statute; issues state general obligation, revenue and lease debt, and authorizes certain agency debt. Other state entities associated with the department for administrative purposes are: Alaska Permanent Fund Corporation, Alaska Housing Finance Corporation, Alaska Housing Capital Corporation, Alaska Municipal Bond Bank Authority, Alaska Mental Health Trust Authority, Alaska Retirement Management Board, Alaska Natural Gas Development Authority, Northern Tobacco Securitization Corporation, and the State Bond Committee.

## **TRANSPORTATION AND PUBLIC FACILITIES**

The Department of Transportation and Public Facilities 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, WA and Prince Rupert, BC. 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-Fifth Legislature, First Session (2007)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	Bert Stedman (R)	Sitka	1	Kyle Johansen (R)	Saxman
			2	Peggy Wilson (R)	Wrangell
B	Kim Elton (D)	Juneau	3	Beth Kerttula (D)	Juneau
			4	Andrea Doll (D)	Juneau
C	Albert Kookesh (D)	Angoon	5	William "Bill" Thomas, Jr. (R)	Haines
			6	Woodie Salmon (D)	Beaver
D	Joe Thomas (D)	Fairbanks	7	Michael "Mike" Kelly (R)	Fairbanks
			8	David Guttenberg (D)	Fairbanks
E	Gary Wilken (R)	Fairbanks	9	Scott Kawasaki (D)	Fairbanks
			10	Jay Ramras (R)	Fairbanks
F	Gene Therriault (R)	North Pole	11	John Coghill, Jr. (R)	North Pole
			12	John Harris (R)	Valdez
G	Lyda Green (R)	Wasilla	13	Carl Gatto (R)	Palmer
			14	Wes Keller (R)	Wasilla
H	Charlie Huggins (R)	Palmer	15	Mark Neuman (R)	Willow
			16	Bill Stoltze (R)	Chugiak
I	Fred Dyson (R)	Eagle River	17	Anna Fairclough (R)	Eagle River
			18	Nancy Dahlstrom (R)	Anchorage
J	Bill Wielechowski (D)	Anchorage	19	Bob Roses (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	Mike Doogan (D)	Anchorage
			26	Lindsey Holmes (D)	Anchorage
N	Lesil McGuire (R)	Anchorage	27	Robert Buch (D)	Anchorage
			28	Craig Johnson (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	Bryce Edgmon (D)	Unalaska
			38	Mary Sattler Nelson (D)	Bethel
T	Donald Olson (D)	Nome	39	Richard Foster (D)	Nome
			40	Reggie Joule (D)	Kotzebue

### LEADERSHIP

**STATE SENATE**  
Lyda Green, Senate President

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

### FINANCE COMMITTEES

**STATE SENATE**  
Lyman Hoffman, Co-Chair  
Bert Stedman, Co-Chair  
Charlie Huggins, Vice-Chair

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

**Members:**  
Fred Dyson, Kim Elton,  
Donald Olson, and Joe Thomas

**Members:**  
Harry Crawford, Richard Foster, Les Gara,  
Mike Hawker, Reggie Joule, Mike Kelly,  
Mary Sattler Nelson, and Bill Thomas, Jr.



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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, 2007, 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 except for Retiree Health and the Discretely Presented Component Units. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Governmental Activities	76%	75%	42%
Aggregate Discretely Presented Component Units	100%	100%	100%
Major Fund: Alaska Permanent Fund	100%	100%	100%
Aggregate Remaining Fund Information	87%	89%	68%

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 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, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 principles 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 introductory section, combining and individual nonmajor fund financial statements, and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 introductory 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.

A handwritten signature in black ink that reads "Pat Davidson". The signature is fluid and cursive, with a long horizontal line extending to the right.

Pat Davidson, CPA  
Legislative Auditor

December 13, 2007

## **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, 2007. 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 07 by \$52.1 billion (net assets). Of this amount, \$5.6 billion is invested in capital assets, \$34.8 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$33.7 billion), and unrestricted net assets are \$11.7 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 \$7.7 billion. This increase is primarily attributable to higher taxes from petroleum production and interest and investment income of the Alaska Permanent Fund. See page 10 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 \$46.4 billion, with \$6.9 billion unreserved fund balance and a fund balance reserved for specific purposes of \$39.5 billion. The Alaska Permanent Fund principal is \$33.7 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the General Fund) is \$4.8 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 surplus of \$2.2 billion.

#### **Long-term debt**

- The State's total long-term debt increased by \$159 million (8 percent) during the current fiscal year. The key factors in this increase include the issuance of Northern Tobacco Securitization Corporation revenue bonds and the recognition of additional net pension obligation.

### **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 87.2 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 7.4 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 \$52.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of

the State's net assets (73 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$33.7 billion) may not be spent.

The remainder of the State's net assets (27 percent) represents amounts invested in capital assets net of related debt (\$5.6 billion), resources that are subject to external restrictions of how they may be used (\$1.1 billion) and unrestricted net assets of \$11.7 billion, of which \$4.1 billion is within the Alaska Permanent Fund. The Alaska Permanent Fund unreserved fund balance for FY 07 is at the highest level ever, representing a 60 percent increase over the prior fiscal year.

**Net Assets**  
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Current and Other Noncurrent Assets	\$ 54,326	\$ 49,770	\$ 1,349	\$ 1,301	\$ 55,675	\$ 51,071
Capital Assets	5,394	5,147	915	840	6,309	5,987
<b>Total Assets</b>	<b>59,720</b>	<b>54,917</b>	<b>2,264</b>	<b>2,141</b>	<b>61,984</b>	<b>57,058</b>
Long-term Liabilities	1,598	1,433	648	656	2,246	2,089
Other Liabilities	7,527	10,452	73	81	7,600	10,533
<b>Total Liabilities</b>	<b>9,125</b>	<b>11,885</b>	<b>721</b>	<b>737</b>	<b>9,846</b>	<b>12,622</b>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,968	4,721	597	536	5,565	5,257
Restricted	34,201	30,772	615	527	34,816	31,299
Unrestricted	11,426	7,539	331	341	11,757	7,880
<b>Total Net Assets</b>	<b>\$ 50,595</b>	<b>\$ 43,032</b>	<b>\$ 1,543</b>	<b>\$ 1,404</b>	<b>\$ 52,138</b>	<b>\$ 44,436</b>

The net assets of governmental activities increased \$7,563 million and business-type activities increased \$139 million. The increase for governmental activities is primarily due to higher petroleum revenues and interest and investment come in the Alaska Permanent Fund. The increase in business-type activities is primarily due to the increase in net assets of the International Airports Fund, and 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 07.

	<b>Changes in Net Assets</b>					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 2,529	\$ 2,725	\$ 294	\$ 282	\$ 2,823	\$ 3,007
Operating Grants	1,464	1,460	17	19	1,481	1,479
Capital Grants	633	619	80	74	713	693
General Revenues						
Taxes	3,378	2,417	-	-	3,378	2,417
Interest and Investment earnings	5,969	3,313	14	3	5,983	3,316
Payments In from Component Units	400	104	-	-	400	104
Other Revenues	53	81	1	1	54	82
<b>Total Revenues</b>	<b>14,426</b>	<b>10,719</b>	<b>406</b>	<b>379</b>	<b>14,832</b>	<b>11,098</b>
<b>Expenses</b>						
General Government	326	292	-	-	326	292
Alaska Permanent Fund Dividend	658	505	-	-	658	505
Education and University	1,685	1,523	-	-	1,685	1,523
Health and Human Services	1,828	1,769	-	-	1,828	1,769
Law and Justice	181	176	-	-	181	176
Public Protection	558	536	-	-	558	536
Natural Resources	286	264	-	-	286	264
Development	430	477	2	1	432	478
Transportation	812	711	-	-	812	711
Intergovernmental	62	58	-	-	62	58
Debt Service	-	-	-	-	-	-
Interest Expense	40	32	-	-	40	32
Loans	-	-	10	12	10	12
Unemployment Compensation	-	-	123	130	123	130
Airports	-	-	129	121	129	121
<b>Total Expenses</b>	<b>6,866</b>	<b>6,343</b>	<b>264</b>	<b>264</b>	<b>7,130</b>	<b>6,607</b>
Excess (Deficiency) of Revenues	7,560	4,376	142	115	7,702	4,491
Over Expenditures						
Transfers	3	5	(3)	(5)	-	-
Special Items:						
ITBE/ASTF Liquidation	-	-	-	-	-	-
Change in Net Assets	7,563	4,381	139	110	7,702	4,491
Net Assets - Beginning of Year	43,032	38,776	1,404	1,294	44,436	40,070
Prior Period Adjustment	-	(125)	-	-	-	(125)
Restatement for Historical Infrastructure	-	-	-	-	-	-
<b>Net Assets - End of Year</b>	<b>\$ 50,595</b>	<b>\$ 43,032</b>	<b>\$ 1,543</b>	<b>\$ 1,404</b>	<b>\$ 52,138</b>	<b>\$ 44,436</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 \$46.4 billion, an increase of \$7,538 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 taxes. The unreserved fund balance, which is available for spending at the government's discretion was a balance of \$6.9 billion, consisting of \$2,249 million in the General Fund, \$4,132 million in the Alaska Permanent Fund (earnings reserve account), \$381 million in special revenue funds, and \$129 million in 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 (\$33.7 billion), 2) for the Constitutional Budget Reserve Fund (\$4.8 billion), 3) to liquidate contracts and purchase orders of the prior period (\$593million), or 4) for a variety of other restricted purposes (\$443 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 \$2.2 billion, while total fund balance reached \$7.6 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 represents 33 percent of total General Fund expenditures, while total fund balance represents 113 percent of that same amount.

The fund balance of the State's General Fund increased by \$2,315 million during the current fiscal year, of which, \$249 million was appropriated to the Alaska Capital Income Fund. The key factors in this increase are higher oil prices and a revision to the oil tax structure resulting in increased taxes. There was no appropriated borrowing from the Constitutional Budget Reserve Fund, and \$50 million owed to the Constitutional Budget Reserve Fund was repaid by the General Fund. As of June 30, 2007, the ending balance owed by the General Fund to the Constitutional Budget Reserve Fund was \$4.8 billion.

General Fund revenues for FY 07 were \$7.9 billion, an increase of \$1.2 billion compared to revenues of \$6.7 billion for FY 06. Revenues by source for FY 07 are compared to FY 06 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 07</u>	<u>Percent</u>	<u>FY 06</u>	<u>Percent</u>
Taxes	\$ 3,435.5	43.4%	\$ 2,333.9	34.7%
Rents and Royalties	1,606.8	20.3%	1,802.3	26.8%
Interest and Investment Income	431.2	5.4%	179.0	2.6%
Federal	1,993.0	25.2%	1,970.4	29.3%
Miscellaneous	447.4	5.7%	444.2	6.6%
Total Revenue	<u>\$ 7,913.9</u>	<u>100.0%</u>	<u>\$ 6,729.8</u>	<u>100.0%</u>

The primary components of this revenue increase are petroleum-related taxes (\$1,124 million), while oil and gas royalties dropped (\$188 million).

**Alaska Permanent Fund**

The Alaska Permanent Fund (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 Fund Balances:** The reserved fund balances, or principal, include the contributions and appropriations, which are the main body of the trust. At June 30, 2007, this amounted to \$27.5 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$9.7 billion in dedicated mineral revenues; \$10.8 billion of fund realized earnings transferred 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 fund balances (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 \$6.2 billion.

- **Unreserved Fund Balances:** The unreserved fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2007, realized earnings have amounted to \$35.0 billion. Of this amount \$15.4 billion has been paid out for dividends, \$10.8 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$4 billion has been paid out to the General Fund, and \$4.1 billion remains in the fund at June 30, 2007 in the realized earnings account.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was a \$1.7 billion increase in appropriations (or 13.6 percent) and can be briefly summarized as follows:

- \$969.5 million allocated to education
- \$338.4 million allocated transportation
- \$129.9 million allocated to public protection
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$281 million was to be funded out of an increase in interagency receipts, another \$91.3 million from federal grants in aid, 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, 2007, amounts to \$5.6 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 07 totaled \$301 million for governmental activities and \$38 million for business-type activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Land	\$ 731	\$ 690	\$ 30	\$ 30	\$ 761	\$ 720
Buildings	753	732	454	465	1,207	1,197
Equipment	414	387	12	13	426	400
Infrastructure	2,065	2,131	295	271	2,360	2,402
Construction in Progress	1,431	1,207	124	62	1,555	1,269
<b>Total Capital Assets</b>	<b>\$ 5,394</b>	<b>\$ 5,147</b>	<b>\$ 915</b>	<b>\$ 841</b>	<b>\$ 6,309</b>	<b>\$ 5,988</b>

In FY 07, construction in progress increased \$286 million. The FY 07 capital budget was a substantial increase from prior years, and an increase in construction in progress during the year was a direct result of this budgetary increase. 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 \$1,490 million. Of this amount, \$405 million was general obligation bonds, and \$452 million of revenue bonds payable is comprised of \$387 million issued by the Northern Tobacco Securitization Corporation (NTSC), and \$65 million of sport fishing revenue bonds. 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 sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$633 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing 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 Activities		Business-type Activities		Total Primary Government	
	FY 07	FY 06	FY 07	FY 06	FY 07	FY 06
Revenue Bonds Payable	\$ 452	\$ 276	\$ 633	\$ 646	\$ 1,085	\$ 922
General Obligation Debt	405	434	-	-	405	434
Capital Leases Payable	130	141	-	-	130	141
Deferred Revenues and Advances	206	194	5	5	211	199
Certificates of Participation	65	75	-	-	65	75
Compensated Absences	126	125	-	-	126	125
Claims and Judgments	72	83	-	-	72	83
Other Noncurrent Liabilities	2	1	5	1	7	2
Net Pension Obligation	140	103	5	3	145	106
Total	<u>\$ 1,598</u>	<u>\$ 1,432</u>	<u>\$ 648</u>	<u>\$ 655</u>	<u>\$ 2,246</u>	<u>\$ 2,087</u>

The State's total debt increased by \$159 million (8 percent) during the current fiscal year. This increase is mainly attributable to the issuance of additional revenue bonds within the NTSC and recognition of the increasing Net Pension Obligation (NPO). Principal payments on the general obligation bonds and sport fishing revenue bonds were made during the year reducing the outstanding balance.

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

**Significant Fact**

FY 07 marks a turning point for the unreserved fund balance of the General Fund. As seen in Schedule A-4 of the Statistical Section of this report, the unreserved balance of the General Fund has been negative for more than ten years. This year, the General Fund has a positive unreserved balance of \$2.2 billion. The primary factor underlying this improvement in the unreserved balance of the General Fund is the \$1.1 billion increase in petroleum-related taxes. This increase is attributable to the combination of higher oil prices and changes to the petroleum profits tax (PPT) passed by the 24<sup>th</sup> Legislature in 2006.

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

- The State's average unemployment rate for FY 07 was 6.3 percent, which compares favorably to the average unemployment rate for FY 06 of 6.9 percent. Alaska's five year average (2003 to 2007) was 7.1 percent. The United States unemployment rate at fiscal year end was 4.9 percent.
- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for just over 59 percent of total revenue, with federal revenue making up another 25 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 \$946 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 07 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 756 thousand barrels per day. This is 113 thousand barrels per day less than in the prior year. FY 07 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 63 percent.
- The State of Alaska FY 07 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$1,107/resident, total \$658 million in FY 07), 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, 2007  
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and Investments	\$ 47,506,300	\$ 614,418	\$ 48,120,718	\$ 1,766,370
Accounts Receivable - Net	800,981	20,867	821,848	48,696
Interest and Dividends Receivable	145,173	29,570	174,743	35,607
Internal Balances	41,199	(41,199)	0	
Due from Primary Government			0	13,724
Due from Component Units	18,176		18,176	2,073
Due from Other Governments	405,111	8,007	413,118	36,520
Loans, Notes, and Bonds Receivable	19,825	291,714	311,539	4,232,930
Inventories	15,343		15,343	24,607
Repossessed Property		1,459	1,459	
Net Investment in Direct Financing Leases			0	297,305
Investments in Projects, Partnerships, or Corporations		6,841	6,841	63,932
Securities Lending Collateral	5,318,282	52,954	5,371,236	86,264
Restricted Assets	28,657	361,677	390,334	2,580,195
Other Assets	26,759	2,499	29,258	179,477
Capital Assets:				
Equipment, Net of Depreciation	413,726	13,071	426,797	217,569
Buildings, Net of Depreciation	753,096	453,685	1,206,781	684,847
Infrastructure, Net of Depreciation	2,065,534	294,233	2,359,767	565,277
Land	730,762	29,738	760,500	64,144
Construction in Progress	1,431,268	124,298	1,555,566	273,592
<b>Total Assets</b>	<b>59,720,192</b>	<b>2,263,832</b>	<b>61,984,024</b>	<b>11,173,129</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	1,994,057	8,114	2,002,171	109,130
Obligations Under Securities Lending	5,318,282	52,954	5,371,236	86,264
Due to Primary Government			0	72,738
Due to Component Units	2,582		2,582	1,689
Due to Other Governments	133	3,081	3,214	
Interest Payable	10,635	7,789	18,424	34,831
Other Current Liabilities	201,605	1,088	202,693	156,368
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and Compensated Absences	138,621	84	138,705	3,152
Unearned and Deferred Revenue	177,569	5,321	182,890	20,221
Notes, Bonds, and Leases Payable	57,702	15,515	73,217	197,174
Other Long-term Debt			0	6,200
Other Noncurrent Liabilities	1,196		1,196	3,644
Portion Due or Payable After One Year:				
Claims, Judgments, and Compensated Absences	59,357	22	59,379	1,467
Unearned and Deferred Revenue	28,846		28,846	414,379
Notes, Bonds, and Leases Payable	994,275	617,637	1,611,912	4,730,063
Other Long-term Debt			0	5,790
Other Noncurrent Liabilities	140,784	9,797	150,581	50,703
<b>Total Liabilities</b>	<b>9,125,644</b>	<b>721,402</b>	<b>9,847,046</b>	<b>5,893,813</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	4,968,171	596,997	5,565,168	1,128,599
Restricted for:				
Permanent Funds				
Nonexpendable	34,052,419		34,052,419	385,654
Expendable	13,229		13,229	121,703
Education	14,135		14,135	473,351
Conservation, Environment, and Natural Resources	27,351		27,351	
Unemployment Compensation		290,388	290,388	
Health and Human Services		290,034	290,034	
Debt Service	38,891	19,605	58,496	634,707
Other Purposes	54,933	14,853	69,786	77,644
Unrestricted	11,425,419	330,553	11,755,972	2,457,658
<b>Total Net Assets</b>	<b>\$ 50,594,548</b>	<b>\$ 1,542,430</b>	<b>\$ 52,136,978</b>	<b>\$ 5,279,316</b>

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, 2007  
(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	\$ 326,205	\$ 11,058	\$ 29,867	\$ 6,249
Alaska Permanent Fund Dividend	658,294			
Education	1,364,756	2,689	199,041	806
University	319,963		872	
Health and Human Services	1,827,623	39,144	950,465	51,171
Law and Justice	180,837	12,142	19,464	99
Public Protection	557,792	172,762	77,163	6,444
Natural Resources	286,236	2,207,217	86,887	35,223
Development	430,096	15,669	76,571	2,083
Transportation	812,686	68,042	5,618	521,459
Intergovernmental Revenue Sharing	62,082		15,709	
Debt Service	40,555		2,134	9,295
<b>Total Governmental Activities</b>	<b>6,867,125</b>	<b>2,528,723</b>	<b>1,463,791</b>	<b>632,829</b>
Business-type Activities:				
Loans	9,561	9,655	1,241	12,516
Unemployment Compensation	122,908	169,070	13,145	
Airports	129,074	115,490	739	58,984
Development	2,221		1,275	8,088
<b>Total Business-type Activities</b>	<b>263,764</b>	<b>294,215</b>	<b>16,400</b>	<b>79,588</b>
<b>Total Primary Government</b>	<b>\$ 7,130,889</b>	<b>\$ 2,822,938</b>	<b>\$ 1,480,191</b>	<b>\$ 712,417</b>
<b>Component Units:</b>				
University of Alaska	\$ 682,403	\$ 141,969	\$ 212,559	\$ 6,048
Alaska Housing Finance Corporation	650,549	202,016	45,339	17,704
Alaska Industrial Development and Export Authority	41,450	48,017	535	11,459
Nonmajor Component Units	325,474	217,096	91,595	50,509
<b>Total Component Units</b>	<b>\$ 1,699,876</b>	<b>\$ 609,098</b>	<b>\$ 350,028</b>	<b>\$ 85,720</b>

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
<b>Total General Revenues and Transfers</b>
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.

STATEMENT 1.02

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (279,031)	\$	\$ (279,031)	\$
(658,294)		(658,294)	
(1,162,220)		(1,162,220)	
(319,091)		(319,091)	
(786,843)		(786,843)	
(149,132)		(149,132)	
(301,423)		(301,423)	
2,043,091		2,043,091	
(335,773)		(335,773)	
(217,567)		(217,567)	
(46,373)		(46,373)	
(29,126)		(29,126)	
<u>(2,241,782)</u>		<u>(2,241,782)</u>	
	13,851	13,851	
	59,307	59,307	
	46,139	46,139	
	7,142	7,142	
	<u>126,439</u>	<u>126,439</u>	
<u>(2,241,782)</u>	<u>126,439</u>	<u>(2,115,343)</u>	
			(321,827)
			(385,490)
			18,561
			33,726
			<u>(655,030)</u>
2,256,299		2,256,299	
233,788		233,788	
812,652		812,652	
65,692		65,692	
9,495		9,495	
5,968,976	14,155	5,983,131	257,687
21,247		21,247	
400,382		400,382	10,079
			497,765
32,295	1,215	33,510	3,916
3,028	(3,028)	0	
<u>9,803,854</u>	<u>12,342</u>	<u>9,816,196</u>	<u>769,447</u>
7,562,072	138,781	7,700,853	114,417
43,032,476	1,403,649	44,436,125	5,163,388
			1,511
<u>\$ 50,594,548</u>	<u>\$ 1,542,430</u>	<u>\$ 52,136,978</u>	<u>\$ 5,279,316</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.



STATE OF ALASKA  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007  
 (Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 6,384,705	\$ 40,072,062	\$ 976,595	\$ 47,433,362
Accounts Receivable - Net	513,551	262,080	5,125	780,756
Interest and Dividends Receivable	11,736	132,168	1,510	145,414
Due from Other Funds	1,167,585		1,557	1,169,142
Due from Component Units	17,531		370	17,901
Due from Other Governments	398,307		6,096	404,403
Loans, Notes, and Bonds Receivable	19,751		74	19,825
Inventories	12,547			12,547
Securities Lending Collateral	350,210	4,881,893	76,741	5,308,844
Other Assets	20,137		42	20,179
Total Assets	<u>\$ 8,896,060</u>	<u>\$ 45,348,203</u>	<u>\$ 1,068,110</u>	<u>\$ 55,312,373</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 590,329	\$ 1,374,663	\$ 10,570	\$ 1,975,562
Obligations Under Securities Lending	350,210	4,881,893	76,741	5,308,844
Due to Other Funds	49,906	1,063,955	7,554	1,121,415
Due to Component Units	2,581		1	2,582
Due to Other Governments	133			133
Unearned and Deferred Revenue	263,803		835	264,638
Other Liabilities	1,201	201,596	357	203,154
Total Liabilities	<u>1,258,163</u>	<u>7,522,107</u>	<u>96,058</u>	<u>8,876,328</u>
Fund Balances:				
Reserved:				
Encumbrances	530,382		62,548	592,930
Nonliquid Assets	4,814,881			4,814,881
Debt Service			40,120	40,120
Other Purposes	43,560	33,694,475	358,856	34,096,891
Unreserved:				
General Fund	2,249,074			2,249,074
Special Revenue Funds			381,225	381,225
Capital Projects Funds			116,074	116,074
Permanent Funds		4,131,621	13,229	4,144,850
Total Fund Balances	<u>7,637,897</u>	<u>37,826,096</u>	<u>972,052</u>	<u>46,436,045</u>
Total Liabilities and Fund Balances	<u>\$ 8,896,060</u>	<u>\$ 45,348,203</u>	<u>\$ 1,068,110</u>	<u>\$ 55,312,373</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, 2007  
 (Stated in Thousands)

STATEMENT 1.12

**Total Fund Balances - Governmental Funds** \$ 46,436,045

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	295,252	
Buildings, net of depreciation	706,062	
Infrastructure, net of depreciation	2,065,534	
Land	730,762	
Construction in progress	<u>1,415,827</u>	5,213,437

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)

261,630

Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.

67,158

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	(125,536)	
Compensated absences	(123,044)	
Claims and judgments (net of federal reimbursement)	(71,276)	
Pension benefit obligation	<u>(137,634)</u>	(457,490)

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	(921,666)	
Unamortized costs of issuance	5,915	
Accrued interest receivable	154	
Accrued interest payable	<u>(10,635)</u>	(926,232)

**Net Assets of Governmental Activities** \$ 50,594,548

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, 2007**  
**(Stated in Thousands)**

**STATEMENT 1.13**

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 3,435,465	\$	\$ 26,997	\$ 3,462,462
Licenses and Permits	108,660		33,544	142,204
Charges for Services	180,292		403	180,695
Fines and Forfeitures	32,047		320	32,367
Rents and Royalties	1,606,758	532,232	23,505	2,162,495
Premiums and Contributions	11,988		4,381	16,369
Interest and Investment Income	431,222	5,517,846	74,464	6,023,532
Federal Grants in Aid	1,993,028		28,386	2,021,414
Payments In from Component Units	99,806		300,576	400,382
Other Revenues	14,637		16,712	31,349
Total Revenues	<u>7,913,903</u>	<u>6,050,078</u>	<u>509,288</u>	<u>14,473,269</u>
<b>EXPENDITURES</b>				
Current:				
General Government	276,867	63,856	5,807	346,530
Alaska Permanent Fund Dividend	658,294			658,294
Education	1,303,482		55,931	1,359,413
University	310,173		10,065	320,238
Health and Human Services	1,815,070		4,014	1,819,084
Law and Justice	178,374	1,477		179,851
Public Protection	553,412			553,412
Natural Resources	233,359	4,462	59,589	297,410
Development	412,559		17,335	429,894
Transportation	960,638		28,219	988,857
Intergovernmental Revenue Sharing	61,925			61,925
Debt Service:				
Principal	9,495		29,615	39,110
Interest and Other Charges	3,652		38,601	42,253
Existing Monies to Bond Escrow Agent			27,009	27,009
Total Expenditures	<u>6,777,300</u>	<u>69,795</u>	<u>276,185</u>	<u>7,123,280</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,136,603</u>	<u>5,980,283</u>	<u>233,103</u>	<u>7,349,989</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bonds Issued			218,938	218,938
Refunding Bonds Issued			193,050	193,050
Bond Discount			(11,180)	(11,180)
Other Debt Proceeds			(193,050)	(193,050)
Capital Leases	4,241			4,241
Transfers In from Other Funds	1,256,130	49	82,692	1,338,871
Transfers (Out to) Other Funds	(82,377)	(1,063,955)	(216,970)	(1,363,302)
Total Other Financing Sources and Uses	<u>1,177,994</u>	<u>(1,063,906)</u>	<u>73,480</u>	<u>187,568</u>
Net Change in Fund Balances	2,314,597	4,916,377	306,583	7,537,557
Fund Balances - Beginning of Year	5,323,300	32,909,719	665,469	38,898,488
Fund Balances - End of Year	<u>\$ 7,637,897</u>	<u>\$ 37,826,096</u>	<u>\$ 972,052</u>	<u>\$ 46,436,045</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, 2007  
 (Stated in Thousands)

STATEMENT 1.14

**Net Change in Fund Balances - Total Governmental Funds** \$ 7,537,557

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).

Equipment	5,060	
Buildings	12,387	
Infrastructure	(65,587)	
Land	40,452	
Construction in progress	215,185	
		207,497

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).

Net current year revenue		57,955
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. (72,909)

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. (20,063)

Bond and other debt 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.

Revenue bonds issued	(207,758)	
Accrued interest	1,937	
Repayment of bond principal	39,110	
Payment to refunded bond escrow agent	25,403	
Existing monies to bond escrow agent	1,606	
Amortization of bond issue costs	3,558	
		(136,144)

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. (4,241)

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	10,352	
Compensated absences	(1,041)	
Capital lease payments	18,867	
Pension benefit obligation	(35,758)	
		(7,580)

**Change in Net Assets of Governmental Activities** \$ 7,562,072

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, 2007**  
**(Stated in Thousands)**

**STATEMENT 1.21**

	Business-type Activities			Governmental
	International Airports	Enterprise Funds Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 140,044	\$ 474,374	\$ 614,418	\$ 101,200
Accounts Receivable - Net	14,238	6,629	20,867	708
Interest and Dividends Receivable		5,739	5,739	
Due from Other Funds		28,975	28,975	4,341
Due from Component Units				275
Due from Other Governments	7,767	240	8,007	
Loans, Notes, and Bonds Receivable		21,300	21,300	
Inventories				2,796
Securities Lending Collateral	29,407	23,547	52,954	9,438
Other Current Assets		9	9	665
<b>Total Current Assets</b>	<b>191,456</b>	<b>560,813</b>	<b>752,269</b>	<b>119,423</b>
Noncurrent Assets:				
Interest and Dividends Receivable		23,831	23,831	
Loans, Notes, and Bonds Receivable		270,414	270,414	
Repossessed Property		1,459	1,459	
Investment in Projects, Partnerships, or Corporations		6,841	6,841	
Restricted Assets	361,677		361,677	
Other Noncurrent Assets		2,490	2,490	
Capital Assets:				
Equipment, Net of Depreciation	13,071		13,071	118,474
Buildings, Net of Depreciation	453,685		453,685	47,034
Infrastructure, Net of Depreciation	294,233		294,233	
Land	29,738		29,738	
Construction in Progress	93,389	30,909	124,298	15,441
<b>Total Noncurrent Assets</b>	<b>1,245,793</b>	<b>335,944</b>	<b>1,581,737</b>	<b>180,949</b>
<b>Total Assets</b>	<b>1,437,249</b>	<b>896,757</b>	<b>2,334,006</b>	<b>300,372</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,846	5,268	8,114	18,495
Obligations Under Securities Lending	29,407	23,547	52,954	9,438
Due to Other Funds	38,922	31,252	70,174	287
Due to Other Governments		3,081	3,081	
Interest Payable	7,789		7,789	
Claims, Judgments, and Compensated Absences		84	84	2,289
Unearned and Deferred Revenue	5,321		5,321	
Notes, Bonds, and Leases Payable	15,515		15,515	927
Other Current Liabilities		1,088	1,088	
<b>Total Current Liabilities</b>	<b>99,800</b>	<b>64,320</b>	<b>164,120</b>	<b>31,436</b>
Noncurrent Liabilities:				
Claims, Judgments, and Compensated Absences		22	22	661
Notes, Bonds, and Leases Payable	617,637		617,637	3,848
Other Noncurrent Liabilities	9,624	173	9,797	2,797
<b>Total Noncurrent Liabilities</b>	<b>627,261</b>	<b>195</b>	<b>627,456</b>	<b>7,306</b>
<b>Total Liabilities</b>	<b>727,061</b>	<b>64,515</b>	<b>791,576</b>	<b>38,742</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	566,089	30,908	596,997	176,954
Restricted for:				
Unemployment Compensation		290,388	290,388	
Health and Human Services		290,034	290,034	
Debt Service	19,605		19,605	
Other Purposes	14,658	195	14,853	
Unrestricted	109,836	220,717	330,553	84,676
<b>Total Net Assets</b>	<b>\$ 710,188</b>	<b>\$ 832,242</b>	<b>\$ 1,542,430</b>	<b>\$ 261,630</b>

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, 2007  
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Premiums and Contributions	\$	\$ 169,070	\$ 169,070	\$ 70,023
Charges for Goods and Services	112,620	872	113,492	80,728
Interest and Investment Income		9,235	9,235	
Allowance for Uncollectible Interest		144	144	
Fines and Forfeitures		58	58	
Federal Grants in Aid		676	676	
Other Operating Revenues	2,870		2,870	1,178
Total Operating Revenues	<u>115,490</u>	<u>180,055</u>	<u>295,545</u>	<u>151,929</u>
<b>OPERATING EXPENSES</b>				
Benefits		122,908	122,908	61,859
Operating	70,609	7,406	78,015	68,276
Depreciation	37,651	36	37,687	18,068
Provision for Loan Losses and Forgiveness		1,474	1,474	
Other Operating Expenses		225	225	
Total Operating Expenses	<u>108,260</u>	<u>132,049</u>	<u>240,309</u>	<u>148,203</u>
Operating Income (Loss)	<u>7,230</u>	<u>48,006</u>	<u>55,236</u>	<u>3,726</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and Investment Income	7,945	19,355	27,300	2,749
Interest and Investment Expense	(14,650)	(826)	(15,476)	(390)
Gain (Loss) on Disposal of Capital Assets		(540)	(540)	(1,249)
Other Nonoperating Revenues (Expenses)	(5,425)	1,126	(4,299)	(68)
Total Nonoperating Revenues (Expenses)	<u>(12,130)</u>	<u>19,115</u>	<u>6,985</u>	<u>1,042</u>
Income Before Capital Contributions and Transfers	(4,900)	67,121	62,221	4,768
Capital Contributions	58,984	20,604	79,588	17,729
Transfers In from Other Funds		30,671	30,671	35,458
Transfers (Out to) Other Funds		(33,699)	(33,699)	
Change in Net Assets	54,084	84,697	138,781	57,955
Total Net Assets - Beginning of Year	656,104	747,545	1,403,649	203,675
Total Net Assets - End of Year	<u>\$ 710,188</u>	<u>\$ 832,242</u>	<u>\$ 1,542,430</u>	<u>\$ 261,630</u>

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, 2007  
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Other Governments	\$	\$ 677	\$ 677	\$ 185
Receipts from Customers	114,991	1,317	116,308	83,026
Receipt of Principal from Loan Recipients		32,372	32,372	
Receipt of Interest and Fees from Loan Recipients		9,053	9,053	
Receipts from Insured		167,952	167,952	69,992
Payments to Employees	(36,735)	(1,307)	(38,042)	(24,491)
Payments to Suppliers	(32,135)	(1,653)	(33,788)	(39,125)
Payments to Other Governments		(2,945)	(2,945)	
Payments to Loan Recipients		(34,611)	(34,611)	
Claims Paid	10,859	(123,450)	(112,591)	(59,540)
Interfund Services Used		(4,186)	(4,186)	
Other Receipts		3,473	3,473	1,018
Other Payments		(2,108)	(2,108)	(2,270)
Net Cash Provided (Used) by Operating Activities	56,980	44,584	101,564	28,795
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Subsidies and Transfers (Out to) Other Funds		(4,566)	(4,566)	(544)
Operating Subsidies and Transfers In from Other Funds		772	772	35,458
Federal Grants		13,023	13,023	
Proceeds from Issuance of Short-term Debt		2,791	2,791	
Payments on Short-term Debt		(2,085)	(2,085)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	9,932	9,932	34,914
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Capital Assets			0	1,094
Acquisition and Construction of Capital Assets	(103,873)	(9,389)	(113,262)	(44,760)
Proceeds from Capital Debt			0	4,629
Principal Paid on Capital Debt	(12,770)		(12,770)	(362)
Interest and Fees Paid on Capital Debt	(12,431)		(12,431)	(61)
Federal Grants	51,725	9,879	61,604	
Other Receipts (Payments)	10,331	(490)	9,841	115
Net Cash Provided (Used) by Capital and Related Financing Activities	(67,018)	0	(67,018)	(39,345)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sales/Maturities of Investments	33,744		33,744	
Income from Securities Lending Activities	1,396	830	2,226	
Expenses from Securities Lending Activities	(1,380)	(820)	(2,200)	
Purchase of Investments	(43,680)		(43,680)	
Interest and Dividends on Investments	2,536	19,418	21,954	2,421
Change in Restricted Cash and Investments	11,215		11,215	
Net Cash Provided (Used) by Investing Activities	3,831	19,428	23,259	2,421
Net Increase (Decrease) in Cash	(6,207)	73,944	67,737	26,785
Cash and Cash Equivalents - Beginning of Year	11,464	400,430	411,894	74,415
Cash and Cash Equivalents - End of Year	\$ 5,257	\$ 474,374	\$ 479,631	\$ 101,200

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, 2007  
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 7,230	\$ 48,006	\$ 55,236	\$ 3,726
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	37,652	36	37,688	18,068
Other Reconciling Items	1,090	(1,583)	(493)	
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(878)	(2,331)	(3,209)	(273)
Due from Other Funds		446	446	2,571
Due from Component Units			0	36
Due from Other Governments		(21)	(21)	
Loans, Notes and Bonds Receivable - Net		(1,718)	(1,718)	
Repossessed Property		1,989	1,989	
Investment in Projects, Partnerships, or Corporations		918	918	
Securities Lending Collateral	12,503	(2,748)	9,755	
Interest and Dividends Receivable - Net		109	109	
Inventories			0	(55)
Other Assets		(221)	(221)	238
Due to Other Funds	10,859	731	11,590	275
Due to Other Governments		(2,325)	(2,325)	
Accounts Payable and Accrued Liabilities	648	(210)	438	2,458
Obligations Under Securities Lending	(12,503)	2,748	(9,755)	
Other Liabilities	379	758	1,137	1,751
Net Cash Provided (Used) by Operating Activities	<u>\$ 56,980</u>	<u>\$ 44,584</u>	<u>\$ 101,564</u>	<u>\$ 28,795</u>
<b>Reconciliation of Cash to the Statement of Net Assets:</b>				
Total Cash and Investments per the Statement of Net Assets	\$ 140,044	\$ 474,374	\$ 614,418	\$ 101,200
Less: Investments not Meeting the Definition of Cash or Cash Equivalents				
	(134,787)		(134,787)	
Cash, End of Year	<u>\$ 5,257</u>	<u>\$ 474,374</u>	<u>\$ 479,631</u>	<u>\$ 101,200</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Contributed Capital Assets				17,729
Transfers (Out to) Other Funds (Accrual)		(886)	(886)	



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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, 2007  
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 165,847	\$ 90,021
Investments:		210,786
Short-Term Investments	53,760	
Commercial Paper	64,780	
U.S. Treasury	679,875	
U.S. Government Agency	324,155	
Municipal Bonds	1,853	
Foreign Government Bonds	176,336	
Mortgage-Backed	1,953,763	
Other Asset-Backed	251,080	
Corporate Bonds	1,154,002	
Yankees	143,346	
Fixed Income Pool	2,384	
Domestic Equity Pool	6,408,711	
International Equity Pool	2,765,222	
Emerging Markets Equity Pool	412,920	
Private Equity Pool	1,056,757	
Absolute Return Pool	615,545	
Other Investment Pool	620,867	
Real Estate Pool	1,732,948	
Participant-Directed	1,025,575	
Other Net Investments	(594,057)	
Investment Loss Trust Fund Assets	1,767	
Accounts Receivable - Net	5,134	3
Contributions Receivable	36,449	
Interest and Dividends Receivable	412	
Securities Lending Collateral	1,749,857	
Due from Other Funds	12,591	2,436
Other Assets	31	
Total Assets	<u>20,821,910</u>	<u>303,246</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	71,746	3,061
Obligations Under Securities Lending	1,749,857	
Trust Deposits Payable		300,129
Due to Other Funds	1,527	56
Total Liabilities	<u>1,823,130</u>	<u>303,246</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Pension Benefits	11,364,503	
Postemployment Healthcare Benefits	4,919,339	
Individuals, Organizations, and Other Governments	2,714,938	
Total Net Assets	<u>\$ 18,998,780</u>	<u>\$ 0</u>

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, 2007**  
**(Stated in Thousands)**

**STATEMENT 1.32**

	<u>Pension and Other Employee Benefit Trust Funds</u>
<b>ADDITIONS</b>	
Premiums and Contributions:	
Employer	\$ 905,095
Member	328,465
Other	7,725
Total Premiums and Contributions	<u>1,241,285</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	2,270,536
Interest	210,040
Dividends	346,917
Total Investment Income	2,827,493
Less Investment Expense	33,345
Net Investment Income	<u>2,794,148</u>
Other Additions	3,998
Total Additions	<u>4,039,431</u>
<b>DEDUCTIONS</b>	
Benefits Paid	1,519,255
Insurance Premiums	4,897
Refunds of Premiums and Contributions	19,508
Administrative Expenses	25,343
Total Deductions	<u>1,569,003</u>
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	1,280,532
Postemployment Healthcare Benefits	989,721
Individuals, Organizations, and Other Governments	200,175
Net Assets - Beginning of the Year	16,528,352
Net Assets - End of the Year	<u>\$ 18,998,780</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 Basic 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, 2007  
(Stated in Thousands)

STATEMENT 1.41

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
<b>ASSETS</b>					
Cash and Investments	\$ 51,725	\$ 204,243	\$ 345,791	\$ 1,164,611	\$ 1,766,370
Accounts Receivable - Net	17,598			31,098	48,696
Interest and Dividends Receivable	185	19,340	5,959	10,123	35,607
Due from Primary Government	10,423	335	2,394	572	13,724
Due from Component Units	36	318	1,688	31	2,073
Due from Other Governments	28,952		2,436	5,132	36,520
Loans, Notes, and Bonds Receivable	6,747	3,357,754	385,590	482,839	4,232,930
Inventories	8,621			15,986	24,607
Net Investment in Direct Financing Leases		27,085	270,220		297,305
Investments in Projects, Partnerships, or Corporations			63,932		63,932
Securities Lending Collateral			506	85,758	86,264
Restricted Assets	322,391	1,116,265	109,261	1,032,278	2,580,195
Other Assets	118,515	52,817	5,946	2,199	179,477
Capital Assets:					
Equipment, Net of Depreciation	101,341	579		115,649	217,569
Buildings, Net of Depreciation	545,685	100,743	1,810	36,609	684,847
Infrastructure, Net of Depreciation	33,711			531,566	565,277
Land	27,969	13,753	600	21,822	64,144
Construction in Progress	28,188	3,668		241,736	273,592
Total Assets	1,302,087	4,896,900	1,196,133	3,778,009	11,173,129
<b>LIABILITIES</b>					
Accounts Payable and Accrued Liabilities	41,128	7,035	3,299	57,668	109,130
Obligations Under Securities Lending			506	85,758	86,264
Due to Primary Government		2,060	301	70,377	72,738
Due to Component Units				1,689	1,689
Interest Payable		14,847	3,620	16,364	34,831
Other Current Liabilities	35,734	119,726	125	783	156,368
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and Compensated Absences		2,251		901	3,152
Unearned and Deferred Revenue	1,281			18,940	20,221
Notes, Bonds, and Leases Payable	6,278	51,221	11,490	128,185	197,174
Other Long-term Debt				6,200	6,200
Other Noncurrent Liabilities		3,644			3,644
Portion Due or Payable After One Year:					
Claims, Judgements, and Compensated Absences		1,432		35	1,467
Unearned and Deferred Revenue	13,679		5,028	395,672	414,379
Notes, Bonds, and Leases Payable	112,732	3,009,666	264,430	1,343,235	4,730,063
Other Long-term Debt				5,790	5,790
Other Noncurrent Liabilities	37,844	546	8,670	3,643	50,703
Total Liabilities	248,676	3,212,428	297,469	2,135,240	5,893,813
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	619,665	118,243	608	390,083	1,128,599
Restricted for:					
Permanent Funds					
Nonexpendable				385,654	385,654
Expendable				121,703	121,703
Education	325,526			147,825	473,351
Debt Service	3,528	582,782		48,397	634,707
Other Purposes		26,397	2,473	48,774	77,644
Unrestricted	104,692	957,050	895,583	500,333	2,457,658
Total Net Assets	\$ 1,053,411	\$ 1,684,472	\$ 898,664	\$ 1,642,769	\$ 5,279,316

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, 2007  
(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	\$ 682,403	\$ 141,969	\$ 212,559	\$ 6,048
Alaska Housing Finance Corporation	650,549	202,016	45,339	17,704
Alaska Industrial Development and Export Authority	41,450	48,017	535	11,459
Nonmajor Component Units	325,474	217,096	91,595	50,509
<b>Total Component Units</b>	<b>\$ 1,699,876</b>	<b>\$ 609,098</b>	<b>\$ 350,028</b>	<b>\$ 85,720</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
\$ (321,827)	\$	\$	\$	\$ (321,827)
	(385,490)			(385,490)
		18,561		18,561
			33,726	33,726
<u>(321,827)</u>	<u>(385,490)</u>	<u>18,561</u>	<u>33,726</u>	<u>(655,030)</u>
62,651	78,845	21,501	94,690	257,687
7,064		3,015		10,079
314,765			183,000	497,765
2,831	1,085			3,916
<u>387,311</u>	<u>79,930</u>	<u>24,516</u>	<u>277,690</u>	<u>769,447</u>
65,484	(305,560)	43,077	311,416	114,417
987,927	1,990,032	855,587	1,329,842	5,163,388
			1,511	1,511
<u>\$ 1,053,411</u>	<u>\$ 1,684,472</u>	<u>\$ 898,664</u>	<u>\$ 1,642,769</u>	<u>\$ 5,279,316</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, 2007**

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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 (State) 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 Housing Capital Corporation (AHCC)** is a public corporation and government instrumentality of, but having a legal existence independent and separate from, the State. AHCC is a subsidiary of, but separate and apart from, the Alaska Housing Finance Corporation (AHFC). The commissioners of the departments of Revenue; Commerce, Community, and Economic Development; and Health and Social Services; and four independent public members appointed by the governor comprise the AHCC board of directors. The legislature appropriates the budget for AHCC for the purpose of funding future capital projects for the State. The corporation has the power to borrow money and issue bonds on its own behalf. AHCC is reported within the governmental funds as a special revenue fund. AHCC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

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 83 percent of the total cash and investments and 73 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, P.O. Box 115500, Juneau, AK 99811-5500, 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 Comprehensive Annual Financial Report (CAFR) with the Nonmajor Enterprise Funds. Separately issued financial statements may be obtained from Knik Arm Bridge and Toll Authority, 550 W. 7th Avenue, Room 1850, Anchorage, AK 99501.

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. 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 Commerce, 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's 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 Alaska Statute (AS) 39.35.010 (defined benefit), 39.35.700 (defined contribution), and 39.35.870, 14.25.470 and 39.30.300 (Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of PERS in accordance with state statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. PERS defined benefit and defined contribution plan and the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan are reported in the fiduciary fund types as pension (and other employee benefit) trust funds. The ARMB is the fiduciary of PERS. The governor appoints the majority of the ARMB.

The **Teachers' Retirement System** (TRS) was established by AS 14.25.010 (defined benefit), 14.25.310 (defined contribution), and 39.35.870, 14.25.470 and 39.30.300 (Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of TRS in accordance with state statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the TRS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the OAH. The ARMB approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. TRS defined benefit and defined contribution plan and the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan are reported in the fiduciary fund types as pension (and other employee benefit) trust funds. The ARMB is the fiduciary of TRS. The governor appoints the majority of the ARMB.

The **Judicial Retirement System** (JRS) was established by AS 22.25.048. The Commissioner of the Department 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. The ARMB is the fiduciary of JRS. The governor appoints the majority of the ARMB.

The **Alaska National Guard and Alaska Naval Militia Retirement System** (NGNMRS) was established by AS 26.05.222. The Commissioner of the Department 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. The ARMB is the fiduciary of NGNMRS. The governor appoints the majority of the ARMB.

The **Supplemental Benefits System** (SBS) ) was established by AS 39.30.150. The Commissioner of the Department 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. ARMB is the fiduciary of SBS. The governor appoints the majority of the ARMB.

The **Deferred Compensation Plan** (DCP) was established by AS 39.45.010. The Commissioner of the Department 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. ARMB is the fiduciary of the DCP. The governor appoints the majority of the ARMB.

Copies of the audited financial statements for the retirement systems, and for SBS and DCP, may be obtained from the Department of Administration, 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. Street., 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 may be obtained from the Alaska Mental Health Trust Authority, 3745 Community Park Loop, Anchorage, AK 99508.

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 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 Alaska Commission on Postsecondary Education, 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 2007 budget was approximately \$19.8 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; however, agency funds have no measurement focus. 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 (collectible 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 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 generally 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 Alaska 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 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 most current stale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

The 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.

The International equity index fund under the fiduciary responsibility of the Commissioner of Revenue is comprised of shares in the Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAAFE) Common Trust Fund, 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 periodically by the general partners. Underlying private equity investments that are listed on a national exchange are valued using quoted market prices. Securities for which there are not market quotations available are initially carried at original cost and subsequently valued at fair value as determined by the general partners. In determining fair value, the financial condition, operating results and projected operating cash flow of the underlying portfolio companies, prices paid in private sales of such securities, the nature and duration of restrictions on disposition of the securities, the expenses and delay that would be involved in registration, the price and extent of public trading in similar securities, the existence of merger proposals or tender offers affecting securities, reports prepared by analysts are considered as appropriate. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

Absolute return investments are carried at fair value as determined by the pro-rata interest in the net assets of the underlying investment funds. These investment funds are valued periodically by the general partners and the managers of the underlying investments. The net asset value represents the amount that would be expected to be received if it were to liquidate its

interests subject to liquidity or redemption restrictions. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

The energy related investments in the Other Investments Pool consist primarily of loans and preferred stock that are valued at the lower of cost or fair value. The agricultural investments in the Other Investments Pool consist primarily of farmland investments that are stated at fair value based upon independent appraisals performed periodically. In years when an independent appraisal is not performed, the valuation is reviewed by an independent advisor. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

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 at least 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 operates as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2007, 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 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 Alaska Aerospace Development Corporation and the University of Alaska are carried at the lower of cost or market. The Alaska Railroad Corporation carries their inventories at the lower of average 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, 2007, 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 \$126 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, 2007 (in thousands).

	<u>General</u>	<u>Permanent</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Reserved					
Encumbrances	\$ 530,382	\$ -	\$ 29,481	\$ -	\$ 33,067
Nonliquid Assets	4,814,881	-	-	-	-
Bonds	-	-	-	40,120	-
Other	43,560	34,052,419	912	-	-
Total Reserved	<u>5,388,823</u>	<u>34,052,419</u>	<u>30,393</u>	<u>40,120</u>	<u>33,067</u>
Unreserved					
Designated					
Continuing Appropriations	-	582	324,438	-	102,400
Other	2,249,074	4,131,621	4,038	-	-
Undesignated	-	12,647	52,749	-	13,674
Total Unreserved	<u>2,249,074</u>	<u>4,144,850</u>	<u>381,225</u>	<u>-</u>	<u>116,074</u>
Total Fund Balance	<u>\$7,637,897</u>	<u>\$38,197,269</u>	<u>\$ 411,618</u>	<u>\$40,120</u>	<u>\$149,141</u>

There are 12 subfunds within the General Fund that have fund balance reserved for other purposes. The other purposes include \$27,072 thousand for Certifications of Participation that pay debt service on state construction projects, \$8,874 thousand for purposes outlined in state statute, and \$7,614 thousand for purposes that accompany the receipt of federal funds.

There are two Permanent Funds that have fund balance amounts reserved for other purposes, Alaska Permanent Fund and the Public School Trust Fund. The Alaska Permanent Fund amount that is reserved for other purposes (\$33,694,475 thousand) is the principal balance of the fund. The State's Constitution specifically requires that the principal be invested in perpetuity. The Public School Trust Fund amount that is reserved for other purposes (\$357,944 thousand) is the principal of the fund and capital gains or losses realized on the principal are to be held in perpetuity per AS 37.14.110(c).

There is one Special Revenue Fund that has a fund balance amount reserved for other purposes, the Mine Reclamation Fund. The Mine Reclamation Fund reserved for other purposes (\$912 thousand) includes payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation required under AS 27.19.040 and AS 27.21.160.

## RESTRICTED NET ASSETS

### **Permanent Funds**

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$33,694 million), \$358 million of the Public School Trust Fund net assets, and \$386 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$13 million (4 percent) of the Public School Trust Fund restricted net assets, and \$122 million (twenty-four percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

### **Net Assets Restricted by Enabling Legislation**

The government-wide statement of net assets reports \$34.8 billion of restricted net assets for the primary government, of which \$22.1 million is restricted by enabling legislation.

## 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 07, supplemental appropriations of \$1.4 billion were required, of which \$1.3 billion 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 07, the Office of Management and Budget estimated the limit to be approximately \$7.7 billion. The FY 07 budget passed by the legislature and after vetoes was \$5.5 billion (unrestricted General Fund revenues only), or \$2.2 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 \$4.8 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 Chapter 6, SLA 2005, section 17(a)	125,940
Article IX, section 17(d) Alaska Constitution (FY 05)	(85,513,723)
Subtotal FY 05	<u>44,161,882</u>
Chapter 3, FSSLA 2005, section 61(a)	85,513,723
Chapter 6, SLA 2005, section 17(a)	24,060
Chapter 3, FSSLA 2005, section 61(c)	167,000
Article IX, section 17(d) Alaska Constitution (FY 06)	(156,696,777)
Subtotal FY 06	<u>(70,991,994)</u>
Chapter 82, SLA 2006, section 63(a)	156,696,777
Chapter 82, SLA 2006, section 63(b)	117,761
Chapter 30, SLA 2007, section 57	(50,000,000)
Article IX, section 17(d) Alaska Constitution (FY 07)	(416,165,110)
Subtotal FY 07	<u>(309,350,572)</u>
 Total appropriated from the CBRF	 <u><u>\$ 4,781,779,253</u></u>

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 ending 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, 2005, 2006 and 2007, 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, FY 04, FY 05 and FY 06 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04, FY 05, FY 06 and FY 07 respectively. The amount for FY 07 will be transferred to the CBRF during FY 08.

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 FY03, chapter 159, SLA 2004, section 61(d) for FY 04, chapter 3, FSSLA 2005, section 61(a) for FY 05, chapter 82, SLA 2006, section 63(a) for FY 06 and chapter 28 SLA 2007, section 31 (a) for FY07 .

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), chapter 159, SLA 2004, section 61(c), chapter 159, SLA 2004, section 61(f), chapter 6, SLA 2005, section 17(a), chapter 3, FSSLA 2005, section 61(c), and chapter 82, SLA 2006, sec 63(b) appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY 03, FY 04, FY 05, FY06 and FY 07 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.

Chapter 30, SLA 2007, section 57 appropriated \$50,000,000 from the General Fund to the CBRF in FY07. This reduced the General Fund long-term liability to CBRF.

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

A change displayed as prior period adjustment in the fund financial statements is listed below.

- Alaska Natural Gas Development Authority discovered that costs related to development of the Right of Way lease should have been capitalized in prior periods as part of Construction in Progress. Construction in progress and Net Assets were understated by \$1,511 thousand. Adjustment related corrections to these errors resulted in an increase to Construction in Progress and Net Assets.

**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 Student Loan Corporation, Alaska Retirement Management 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, Mine Reclamation Trust Fund, Alaska Sport Fish Construction Fund as well as the Public School, Alaska Children's, and Investment Loss 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 and International Equity Indexed Accounts. 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 <http://www.revenue.state.ak.us/treasury>.

Deposits and investments at June 30, 2007, are as follows:

Investment Type	Fair Value (in thousands)					
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	Total
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 31,029	\$ 31,029
Overnight Sweep Account (LMCS)	23,683	-	-	-	-	23,683
Short-term Investment Fund	154,115	1,968	-	-	-	156,083
Governmental Short-term Investment Fund	-	429,052	-	-	-	429,052
Money Market	-	-	-	2,949	888,467	891,416
Commercial Paper	341,374	-	984	53,927	-	396,285
U.S. Treasury Notes	-	1,297,221	92,073	119,772	-	1,509,066
U.S. Treasury Bonds	-	-	54,582	-	-	54,582
U.S. Government Agency Discount Notes	-	1,133,365	64,789	-	-	1,198,154
U.S. Government Agency Mortgage-backed	-	-	24,205	-	-	24,205
Other Asset-backed	263,743	591,401	609,034	-	-	1,464,178
Corporate Bonds	1,895,086	158,955	57,572	-	-	2,111,613
Corporate Bonds	982,603	383,479	211,544	-	-	1,577,626
Yankees:						
Government	-	49,291	4,522	-	-	53,813
Corporate	207,263	129,965	24,469	-	-	361,697
Domestic Equity	-	-	-	-	738,157	738,157
International Equity	-	-	-	-	277,771	277,771
Total Invested Assets	3,867,867	4,174,697	1,143,774	176,648	1,935,424	11,298,410
Pool related net assets (liabilities)	(1,103)	(551,219)	(213,644)	1,534	(3,229)	(767,661)
Net Invested Assets before earnings distribution to participants	3,866,764	3,623,478	930,130	178,182	1,932,195	10,530,749
Earnings payable to participants	(16,460)	1,940	702	-	-	(13,818)
Other pool ownership	(605,046)	441,220	163,826	-	-	-
Other fiduciary responsibility:						
Alaska Retirement Management Board	(555,085)	-	-	-	-	(555,085)
Exxon Valdez Oil Spill Trustee Council	(4)	-	(71,415)	-	(38,107)	(109,526)
University of Alaska	(1)	-	-	-	-	(1)
Alaska Mental Health Trust Authority	(2,766)	-	(9,381)	-	(5,423)	(17,570)
Total Invested Assets	\$ 2,687,402	\$ 4,066,638	\$ 1,013,862	\$ 178,182	\$ 1,888,665	\$ 9,834,749

## 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, 2007, the expected average life of individual fixed rate securities ranged from three days to seven 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% 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, 2007, was 2.24 years.



Broad Market Fixed Income Pool -  $\pm$  20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2007, was 4.70 years.

At June 30, 2007, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
U.S. Treasury Notes	2.41	3.92
U.S. Treasury Bonds	-	11.26
US. Government and Agency Securities	1.76	5.79
Mortgage-Backed	3.10	4.22
Other Asset-Backed	1.56	5.53
Corporate Bonds	2.73	5.26
Yankees:		
Government	4.29	10.87
Corporate	3.58	5.84
Portfolio Effective Duration	1.93	4.06

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 accordingly 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 A-1 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 A-1 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 Baa3 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 Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities, and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk

exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The Morgan Stanley Capital International, Europe Australasia, and Far East, Index Common Trust Fund (Trust), a passively managed commingled index fund, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities, and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

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.

At June 30, 2007, 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</u>	<u>Short-term Fixed Income Pool</u>	<u>Intermediate- term Fixed Income Pool</u>	<u>Broad Market Fixed Income Pool</u>
Overnight Sweep Account	Not Rated	0.61%	-	-
Short-term Investment		3.96%	-	-
Account	Not Rated	-	0.05%	-
Commercial Paper	AA	1.88%	-	-
Commercial Paper	A	3.09%	-	-
Commercial Paper	Not Rated	3.86%	-	0.11%
U. S. Government Agency				
Discount Notes	Not Rated	-	11.83%	6.96%
U. S. Government Agency	AAA	-	31.21%	1.82%
U. S. Government Agency	BBB	-	-	0.16%
U. S. Government Agency	Not Rated	-	0.05%	0.62%
Mortgage-backed	AAA	6.50%	14.75%	55.03%
Mortgage-backed	A	0.32%	-	-
Mortgage-backed (Agency)	Not Rated	-	1.57%	10.39%
Other Asset-backed	AAA	40.98%	2.46%	4.73%
Other Asset-backed	AA	0.91%	-	-
Other Asset-backed	A	6.34%	0.88%	0.09%
Other Asset-backed	BBB	-	0.29%	1.37%
Other Asset-backed	Not Rated	0.78%	0.76%	-
Corporate Bonds	AAA	1.97%	0.93%	2.14%
Corporate Bonds	AA	15.13%	4.01%	4.25%
Corporate Bonds	A	8.31%	2.98%	7.47%
Corporate Bonds	BBB	-	2.51%	7.57%
Corporate Bonds	Not Rated	-	0.14%	1.29%
Yankees:				
Government	AAA - BBB	-	1.36%	0.49%
Corporate	AAA	-	1.84%	0.26%
Corporate	AA	3.09%	1.21%	-
Corporate	A	1.75%	0.29%	1.45%
Corporate	BBB	-	0.25%	0.92%
Corporate	Not Rated	0.52%	-	-
No credit exposure		-	20.63%	-7.12%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

At June 30, 2007, the Tobacco Revenue Fixed Income consisted of commercial paper rated A-1 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, 2007, the state had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
Non-interest Bearing Deposits	\$ 7,832
International Equity Pool	91
	<u>\$ 7,923</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds of any one company or affiliated group. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds. At June 30, 2007, more than five percent of investments were held in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities as follows:

	Fair Value (in thousands)	Percent of Total Pool Investments
Federal Home Loan Mortgage Corporation	\$ 1,219,421	13%
Federal National Mortgage Association	908,497	9%

**Foreign Currency Risk**

The Commissioner (for Exxon Valdez Oil Spill Investments, the Exxon Valdez Trustee Council, and for Alaska Mental Health Trust Fund Investments, the Alaska Mental Health Trust Fund Authority Board) 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 FY 07 and invested assets included the following holdings at June 30, 2007, for the funds invested in the International Equity Pool:

	Policy	Actual
Alaska Children's Trust Fund	22% ± 5%	23.84%
Alaska Mental Health Trust Fund Reserve	15% ± 4%	16.04%
Constitutional Budget Reserve Fund, Subaccount	17% ± 5%	18.98%
Exxon Valdez Oil Spill Investments	17% ± 5%	18.08%
Power Cost Equalization Endowment Fund	18% ± 5%	19.24%
Retiree Health Insurance Fund, Major Medical	6% ± 4%	5.58%
Retiree Health Insurance Fund, Long Term Care	19% ± 4%	19.53%

At June 30, 2007, the International Equity Pool had exposure to foreign currency risk as follows:

<u>Currency</u>	<u>Amount</u> <u>(in thousands)</u>
Deposits:	
Euro Currency	\$ 10
Japanese Yen	98
	<u>108</u>
Investments - International Equity:	
Euro Currency	107,774
Japanese Yen	40,758
New Zealand Dollar	2,558
Pound Sterling	76,026
Singapore Dollar	4,853
Swedish Krona	4,026
Swiss Franc	23,218
	<u>259,213</u>
Total	<u>\$ 259,321</u>

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

The International Equity Pool investment income included the following at June 30, 2007:

Net Realized Gain on Foreign currency	\$ 3,699,588
Net Unrealized Gain on Foreign currency	6,514
Net Realized Gain (Loss) on Foreign Exchange Contracts	(43,686)

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 period for the contract is sixteen days. The International Equity Pool had no unrealized gains (losses) with respect to forward contracts at June 30, 2007.

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 the Commissioner to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Commissioner entered into an agreement with State Street Corporation (the Bank) to lend fixed income and equity securities. The Bank, acting as the Commissioner'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, 2007, the fair value of securities on loan totaled \$874 million which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner. There is no limit to the amount that can be loaned and the Commissioner 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 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 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 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, 2007, 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 RETIREMENT MANAGEMENT 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 Retirement Management Board (ARMB).

### PENSION FUNDS

ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ARMB has the statutory authority (AS 22.25.048, AS 26.05.228, 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.

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages the Defined Benefit investments the ARMB has fiduciary responsibility for. Additionally, Treasury manages mix of ERISA Commingled and Collective Investment Funds for the Defined Contribution and Occupational Death and Disability Plans. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB 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, Collective Investment Pools, ERISA Commingled and Mutual Funds, External Domestic Fixed Income Pool, International Fixed Income Pool, Pooled Investment Funds, 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 Short-term Pool, Enhanced Cash Pool, Domestic 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 has fiduciary responsibility for.

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

Deposits and investments at June 30, 2007 are as follows:

	Fair Value (in thousands)				
	Fixed Income Pools				
	Short-term	Enhanced Cash	Domestic	International	TIPS
Deposits	\$ -	\$ -	\$ -	\$ 1,223	\$ -
Overnight Sweep Account (Imcs)	3,401	-	-	-	-
Money Market Fund (SL)	-	-	-	-	-
Short-term Investment Fund	22,134	-	-	1,040	-
Commercial Paper	49,030	-	3,268	-	-
Domestic Equity	-	-	-	-	-
International Equity	-	-	-	-	-
Collective Investment Funds	-	-	-	-	-
U. S. Treasury Bills	-	-	-	-	-
U. S. Treasury Notes	-	-	308,963	-	-
U. S. Treasury Strips	-	-	249	-	-
U. S. Treasury Bonds	-	-	138,459	-	-
U.S. Treasury - TIPS	-	-	-	-	4,145
U.S. Government Agency Discount Notes	-	-	193,591	-	-
U.S. Government Agency Municipal Bonds	-	-	1,233	-	-
Foreign Government Bonds	-	-	1,853	-	-
Mortgage-backed	-	-	-	176,336	-
Mortgage-backed	37,879	-	1,595,295	-	-
Other Asset-backed	272,183	1,825	181,889	-	-
Corporate Bonds	141,127	2,553	512,147	109,870	-
Convertible Bonds	-	-	-	-	-
Yankees:	-	-	-	-	-
Government	-	-	15,944	-	-
Corporate	29,768	-	56,954	-	-
Fixed Income Pools:	-	-	-	-	-
Equity	-	-	-	-	-
Domestic Equity Pool:	-	-	-	-	-
Limited Partnership Equity	-	-	-	-	-
International Equity Pool:	-	-	-	-	-
Convertible Bonds	-	-	-	-	-
Equity	-	-	-	-	-
Emerging Markets Equity Pool	-	-	-	-	-
Private Equity Pool:	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Absolute Return Pool:	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Other Investments Pool:	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Agricultural Holdings	-	-	-	-	-
Real Estate Pool:	-	-	-	-	-
Real Estate	-	-	-	-	-
Commingled Funds	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Real Estate Investment Trusts	-	-	-	-	-
Mortgages	-	-	-	-	-
DCR ERISA Commingled Funds	-	-	-	-	-
Mutual Fund	-	-	-	-	-
Net Other Assets (Liabilities)	(2,479)	(773)	(609,512)	4,691	-
Other Pool Ownership	(519,781)	(3,605)	439,046	-	-
Total Invested Assets	<u>\$ 33,262</u>	<u>\$ -</u>	<u>\$ 2,839,379</u>	<u>\$ 293,160</u>	<u>\$ 4,145</u>

Deposits and investments at June 30, 2007 are as follows (continued):

Fair Value (in thousands)			
High Yield	Pooled Investment Funds	Other	Total
\$ -	\$ (1)	\$ 70,721	\$ 71,943
17,162	-	-	20,563
-	-	1,735,565	1,735,565
-	-	-	23,174
4,972	42	-	57,312
-	54	-	54
-	27	-	27
-	1	12,018	12,019
-	-	5,473	5,473
-	24	-	308,987
-	-	-	249
-	-	-	138,459
-	-	-	4,145
-	-	-	-
-	-	-	193,591
-	2	-	1,235
-	-	-	1,853
-	-	-	176,336
-	38	-	1,633,212
668	-	-	456,565
222,471	30	-	988,198
7,324	-	-	7,324
-	-	-	-
-	2	-	15,946
22,069	2	-	108,793
-	-	-	-
2,360	-	-	2,360
-	-	-	-
-	-	473,489	473,489
-	-	5,188,336	5,188,336
-	-	-	-
-	-	-	-
-	-	2,617,306	2,617,306
-	-	412,914	412,914
-	-	-	-
-	-	1,056,117	1,056,117
-	-	-	-
-	-	615,545	615,545
-	-	-	-
-	-	75,622	75,622
-	-	109,190	109,190
-	-	-	-
-	-	558,736	558,736
-	-	322,991	322,991
-	-	758,898	758,898
-	-	91,155	91,155
-	-	25	25
-	-	3,698	3,698
-	-	797	797
4,171	-	11,711	(592,191)
-	-	84,340	-
<u>\$ 281,197</u>	<u>\$ 221</u>	<u>\$ 14,204,647</u>	<u>\$ 17,656,011</u>

Deposits and investments at June 30, 2007 are as follows (continued):

Fair Value (in thousands)	Total
<u>Participant Ownership in Pooled Investments</u>	
Public Employees Trust Fund	\$ 12,110,837
Teachers Trust Fund	5,419,442
Judicial Trust Fund	101,523
Alaska National Guard and Alaska Naval Militia Retirement Fund	19,507
Retiree Medical and Health Reimbursement	4,702
Total	<u>\$ 17,656,011</u>

**Interest Rate Risk**

Defined Benefit Fixed Income Pools

Through the ARMB’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  $\pm 20\%$  of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2007, was 4.70 years.

Through the ARMB’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  $\pm 25\%$  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, 2007, was 6.00 years.

Through the ARMB’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  $\pm 20\%$  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, 2007, was 4.59 years.

Defined Contribution Pooled Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate four participant directed funds. Through the ARMB’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 June 30, 2007, the duration of the government and corporate debt securities was 5.12 years and the duration of the Lehman Brothers Government Credit Index was 5.01 years.

For mortgage-backed securities, duration is limited to  $\pm 0.25$  years of the Lehman GNMA Index. At June 30, 2007, the duration of the mortgage-backed securities was 4.29 years and the duration of the Lehman GNMA Index was 4.31 years.

The weighted average maturity of the money market portfolio was 53 days at June 30, 2007.

ERISA Commingled and Mutual Funds

The ARMB contracts with external investment managers who maintain ERISA commingled and mutual funds. Managers selected to manage investments are subject to the provisions of the commingled and mutual funds the ARMB has selected.

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the ERISA commingled investment funds that consists solely of debt securities, Domestic Fixed Income, International Fixed Income, and TIPS were, 4.70, 6.16, and 7.80 years at June 30, 2007, respectively.



Collective Investment Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments are subject to the provisions of the collective investment funds the ARMB has selected.

The ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consisted solely of debt securities, the Government/Corporate Bond Fund, was 5.33 years at June 30, 2007.

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, 2007, the effective duration of the fixed income pools, by investment type, was as follows:

	Effective Duration (in years)			
	Enhanced Cash	Domestic	International	High Yield
U.S. Treasury Notes	-	4.07	-	-
U.S. Government Agency	-	4.52	-	-
Municipal Bonds	-	12.33	-	-
Mortgage-backed	-	4.26	-	-
Other Asset-backed	1.84	4.82	-	4.39
Corporate Bonds	0.22	5.36	3.80	4.21
Convertible Bonds	-	-	-	2.20
Yankees				
Government	-	6.46	-	-
Corporate	-	11.03	8.86	3.88
Portfolio Effective Duration	0.08	3.99	4.81	3.82

**Credit Risk**

Investments in externally managed pools may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities, and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counter party to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The ARMB does not have a policy to limit the concentration of credit risk for the Collective Investment, ERISA Commingled, and Mutual Funds.

ARMB'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; and
- 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.

Enhanced Cash Fixed Income:

- Commercial paper must carry a rating of at least A1 or equivalent;
- No more than five percent of the portfolio's assets may be invested in securities rated below investment grade as determined by the Lehman Brothers rating methodology; and
- No more than two percent of the portfolio's assets may be invested in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

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 ten percent of the portfolio's assets may be invested in securities rated A3 or higher;
- No more than twenty-five percent of the portfolio's assets may be invested in securities rated below B3;
- No more than five 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; and
- This account is secured by U.S. Government or Agency securities. As such, the ARMB does not consider this investment subject to the credit risk limitations above.

Defined Contribution Pooled Investment Funds:

- All government and corporate fixed income securities must be rated BBB or better at the 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 June 30, 2007 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>	Defined Benefit				
		Internally Managed Fixed Income Pools				
		Short-term	Cash	Domestic	International	High Yield
Overnight Sweep Account	Not Rated	0.61%	-	-	-	6.10%
Money Market Fund	Not Rated	-	-	-	-	-
Short-term Investment Account	Not Rated	3.96%	-	-	0.36%	-
Commercial Paper	AA	1.88%	-	-	-	-
Commercial Paper	A	3.09%	-	-	-	1.77%
Commercial Paper	Not Rated	3.86%	-	0.14%	-	-
U. S. Government Agency						
Discount Notes	Not Rated	-	-	8.07%	-	-
U. S. Government Agency	AAA	-	-	-	-	-
U. S. Government Agency	Not Rated	-	-	0.05%	-	-
Mortgage-backed	AAA	6.50%	-	51.10%	-	-
Mortgage-backed	A	0.32%	-	-	-	-
Mortgage-backed (Agency)	Not Rated	-	-	15.36%	-	-
Other Asset-backed	AAA	40.98%	2.65%	5.14%	-	-
Other Asset-backed	AA	0.91%	-	0.27%	-	-
Other Asset-backed	A	6.34%	-	0.09%	-	-
Other Asset-backed	BBB	-	1.00%	0.74%	-	-
Other Asset-backed	BB	-	-	-	-	0.24%
Other Asset-backed	Not Rated	0.78%	-	1.34%	-	-
Municipal Bonds	AA	-	-	0.08%	-	-
Corporate Bonds	AAA	1.97%	-	1.89%	25.92%	-
Corporate Bonds	AA	15.13%	0.60%	4.28%	11.43%	-
Corporate Bonds	A	8.31%	3.46%	6.98%	-	-
Corporate Bonds	BBB	-	1.04%	7.15%	-	1.56%
Corporate Bonds	BB	-	-	-	-	21.55%
Corporate Bonds	B	-	-	-	-	41.49%
Corporate Bonds	CCC	-	-	-	-	11.57%
Corporate Bonds	D	-	-	-	-	0.48%
Corporate Bonds	Not Rated	-	-	1.03%	0.28%	3.59%
Convertible Bonds	BBB	-	-	-	-	0.20%
Convertible Bonds	BB	-	-	-	-	0.06%
Convertible Bonds	B	-	-	-	-	1.19%
Convertible Bonds	D	-	-	-	-	0.05%
Yankees:						
Government	AAA - BBB	-	-	0.66%	56.57%	-
Government	Not Rated	-	-	-	3.83%	-
Corporate	AAA	-	-	-	-	-
Corporate	AA	3.09%	-	-	-	-
Corporate	A	1.75%	-	1.47%	-	-
Corporate	BBB	-	-	0.61%	-	0.35%
Corporate	BB	-	-	-	-	1.06%
Corporate	B	-	-	-	-	5.88%
Corporate	CCC	-	-	-	-	0.21%
Corporate	Not Rated	0.52%	-	0.30%	-	0.32%
No credit exposure		-	91.25%	-6.75%	1.61%	2.33%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

At June 30, 2007 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) (continued):

	Rating <sup>1</sup>	Defined Contribution			Collective Investment Funds
		Wholly Owned		Externally Managed Pools	
		GNMA	Government/ Corporate	Money Market	
Overnight Sweep Account	Not Rated	-	-	-	-
Money Market Fund	Not Rated	-	-	-	0.58%
Short-term Investment Account	Not Rated	7.40%	0.84%	-	-
Commercial Paper	AA	-	-	-	-
Commercial Paper	A	-	-	6.22%	-
Commercial Paper	Not Rated	-	-	83.66%	-
U. S. Government Agency Discount Notes	Not Rated	-	-	-	-
U. S. Government Agency	AAA	-	2.42%	-	-
U. S. Government Agency	Not Rated	-	-	-	-
Mortgage-backed	AAA	88.91%	17.08%	-	-
Mortgage-backed	A	-	-	-	-
Mortgage-backed (Agency)	Not Rated	3.69%	-	-	-
Other Asset-backed	AAA	-	-	-	-
Other Asset-backed	AA	-	-	-	-
Other Asset-backed	A	-	-	-	-
Other Asset-backed	BBB	-	-	-	-
Other Asset-backed	BB	-	-	-	-
Other Asset-backed	Not Rated	-	-	-	-
Municipal Bonds	AA	-	-	-	-
Corporate Bonds	AAA	-	1.67%	3.13%	-
Corporate Bonds	AA	-	6.70%	3.13%	-
Corporate Bonds	A	-	15.45%	6.25%	-
Corporate Bonds	BBB	-	11.42%	-	-
Corporate Bonds	BB	-	-	-	-
Corporate Bonds	B	-	-	-	-
Corporate Bonds	CCC	-	-	-	-
Corporate Bonds	D	-	-	-	-
Corporate Bonds	Not Rated	-	-	-	-
Convertible Bonds	BBB	-	-	-	-
Convertible Bonds	BB	-	-	-	-
Convertible Bonds	B	-	-	-	-
Convertible Bonds	D	-	-	-	-
Yankees:					
Government	AAA - BBB	-	2.85%	-	-
Government	Not Rated	-	-	-	-
Corporate	AAA	-	0.27%	-	-
Corporate	AA	-	0.96%	-	-
Corporate	A	-	0.91%	-	-
Corporate	BBB	-	0.71%	-	-
Corporate	BB	-	-	-	-
Corporate	B	-	-	-	-
Corporate	CCC	-	-	-	-
Corporate	Not Rated	-	-	-	-
No credit exposure		-	38.72%	-2.39%	99.42%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</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**

ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2007, invested assets had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	<u>\$ 5,358</u>

**Foreign Currency Risk**

ARMB'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, ARMB's asset allocation policy limits total investments in International Fixed Income, International Equity, Emerging Markets and Private Equity Pools to the following:

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

At June 30, 2007, the Pension Funds had exposure to foreign currency risk with the following deposits:

Currency	Amount (in thousands)	
	Defined Benefit	
	International Fixed Income Pool	International Equity Pool
Australian Dollar	\$ -	\$ 515
Canadian Dollar	-	3
Euro Currency	-	(1,409)
Hong Kong Dollar	-	657
Japanese Yen	374	3,506
Mexican Peso	849	-
New Zealand Dollar	-	10
Norwegian Krone	-	169
Pound Sterling	-	1,806
Singapore Dollar	-	1
Swedish Krona	-	98
Swiss Franc	-	2
	<u>\$ 1,223</u>	<u>\$ 5,358</u>

At June 30, 2007, the Pension Funds had exposure to foreign currency risk with the following investments:

Currency	Defined Benefit			Defined Contribution	
	International Fixed Income	International	Private Equity	International Trust	
	Pool	Equity Pool	Pool	Pool	
	Foreign		Limited		
	Government	Corporate	Equity	Partnerships	
Australian Dollar	\$ 5,931	\$ 2,804	\$ 58,589	\$ -	\$ -
Canadian Dollar	-	-	52,541	-	-
Danish Krone	-	-	2,989	-	-
Euro Currency	138,833	-	979,744	72,981	2
Hong Kong Dollar	-	-	12,016	-	-
Japanese Yen	25,908	107,066	169,571	-	1
Mexican Peso	5,664	-	-	-	-
New Taiwan Dollar	-	-	9,448	-	-
New Zealand Dollar	-	-	3,410	-	-
Norwegian Krone	-	-	6,519	-	-
Pound Sterling	-	-	486,861	8,532	1
Singapore Dollar	-	-	26,181	-	-
South African Rand	-	-	2,016	-	-
South Korean Won	-	-	39,439	-	-
Swedish Krona	-	-	45,670	-	-
Swiss Franc	-	-	164,341	-	-
	<u>\$ 176,336</u>	<u>\$ 109,870</u>	<u>\$ 2,059,335</u>	<u>\$ 81,513</u>	<u>\$ 4</u>

At June 30, 2007, 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

ARMB'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 five percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

At June 30, 2007, the Pension Funds were not invested in any one issuer more than five percent.

### 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, 2007:

Realized Gain on Foreign Currency	\$ 62,889,500
Unrealized Gain (Loss) on Foreign Currency	(18,051)
Realized Gain (Loss) on Foreign Exchange Contracts	313,641

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 124 days. The Pension Funds had unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, 2007, as follows:

Net Contract Sales	\$ 2,158,000
Less: Fair Value	2,145,133
Net unrealized gains (losses)	<u>\$ 12,867</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 ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. ARMB has entered into an agreement with State Street Corporation (the Bank) to lend equity and domestic fixed income securities. The Bank, acting as ARMB'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, 2007, the fair value of securities on loan allocable to the Pension Funds totaled \$1.8 billion. There is no limit to the amount that can be loaned and ARMB 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 in the amount of \$1.7 billion was 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 in the amount of \$105.9 million may be pledged or sold upon borrower default. Since ARMB 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 ARMB 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 ARMB 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, 2007, 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, 2006, Deferred Compensation Plan investments totaled \$522 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**

ARMB 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 the ARMB has selected. In addition, the Deferred Compensation Plan maintains a balance in a commingled money market portfolio.

ARMB 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, 2006, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Fund	\$ 25,750	7.58 years
Intermediate Bond Fund	10,470	3.89 years
Bond Fund	128	4.56 years
Money Market Fund	483	43 days

Interest Income Fund

ARMB 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 ARMB'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 4.84 years at December 31, 2006. The duration of the Lehman Brother's Aggregate Bond Index was 4.46 years at December 31, 2006.

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 1.91 years at December 31, 2006.

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

ARMB 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 has a weighted average maturity of 31 days at December 31, 2006.

**Credit Risk**

ARMB 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.

The Deferred Compensation Plan's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

ARMB'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; 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.

At December 31, 2006, 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 (in thousands)</u>
Short-Term Investment Fund	Not Rated	\$ 2,211
U.S. Agency Securities	AAA	3,712
Mortgage-Backed Securities	AAA	3,770
Mortgage-Backed Securities	Not Rated	32,343
Corporate Bonds	AAA	1,166
Corporate Bonds	AA	9,086
Corporate Bonds	A	20,104
Corporate Bonds	BBB	7,588
Yankee:		
Corporate Bonds	AA	861
Corporate Bonds	AA	2,410
Corporate Bonds	BBB	928
Government	AAA	438
Government	AA	1,641
Government	A	148
Government	BBB	163
Asset Backed Securities	AAA	27,928
Investments with no credit exposure		9,547
Total		<u>\$ 124,044</u>
Reserve – Short-Term Investment Fund	Not Rated	<u>\$ 8,089</u>

**Concentration of Credit Risk**

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

ARMB's policies with regard to concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve are 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.

Investment Type	Issuer	All Issuers
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 five 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, 2006, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

### **Foreign Currency Risk**

ARMB 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.

ARMB’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, 2007, SBS investments totaled \$2 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, AK 99811-0203.

### **Interest Rate Risk**

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

ARMB 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 the ARMB has selected. In addition, SBS maintains a balance in a commingled money market portfolio.

ARMB 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 5.56 years at January 31, 2007. The weighted average maturity of the money market portfolio was 49 days at January 31, 2007.

Short-term Fixed Income Pool

The Investment Loss Trust Fund and SBS's cash and cash equivalents are invested in the State's internally managed 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 14 months in maturity or 14 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 12 month prepay speeds for other securities. At January 31, 2007, the expected average life of individual fixed rate securities ranged from one day to seven months and the expected average life of floating rate securities ranged from 14 days to three years.

Stable Value Fund

ARMB 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 ARMB'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 1.97 years at January 31, 2007. The duration of the Lehman Brother's Aggregate Bond Index was 2.00 years at January 31, 2007.

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 4.78 years at January 31, 2007.

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.

ARMB 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 34 days at January 31, 2007.

Pooled Investment Funds

ARMB 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 ARMB'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, 2007, the duration of the government and corporate debt securities was 5.01 years and the duration of the Lehman Brothers Government Credit Index was 5.03 years.

For mortgage-backed securities, duration is limited to  $\pm 0.25$  years of the Lehman GNMA Index. At January 31, 2007, the duration of the mortgage-backed securities was 4.41 years and the duration of the Lehman GNMA Index was 3.76 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.

ARMB 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**

ARMB 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.

SBS's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

ARMB'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.

ARMB'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; and
- 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 A-1 or equivalent.

At January 31, 2007, 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 fixed income pool	Underlying synthetic investment contracts	Wholly owned pool	Investment loss trust	Collective investment funds
Investments with credit exposure:						
Overnight Sweep Account	Not rated	\$ 5	\$ -	\$ -	\$ 7	\$ -
Money market fund	Not rated	-	-	-	-	4,816
Short-term investment fund	Not rated	17	2,083	16,115	23	-
Commercial paper	A1	51	-	54,806	67	-
Commercial paper	AA	32	-	-	42	-
Commercial paper	Not rated	71	-	-	92	-
U.S. government agency discount notes	Not rated	-	-	-	-	-
U.S. government agency	AAA	-	-	-	-	-
U.S. government agency	Not rated	-	18,294	104,619	-	-
Mortgage-backed	AAA	93	3,103	-	135	-
Mortgage-backed	Not rated	22	37,529	-	13	-
Other asset-backed	AAA	476	23,320	-	615	-
Other asset-backed	AA	-	-	-	-	-
Other asset-backed	A	61	-	-	78	-
Corporate bonds	AAA	51	1,927	9,723	66	-
Corporate bonds	AA	269	6,478	46,719	348	-
Corporate bonds	A	127	21,886	92,484	163	-
Corporate bonds	BB	-	-	-	-	-
Corporate bonds	BBB	10	8,798	52,677	13	-
Corporate bonds	Not rated	9	-	-	12	-
Yankees:						
Corporate	AAA	-	155	7,303	-	-
Corporate	AA	39	758	1,553	50	-
Corporate	A	29	3,310	3,211	37	-
Corporate	BBB	-	981	4,545	-	-
Corporate	Not rated	18	-	-	23	-
Government	AAA	-	196	1,476	-	-
Government	AA	-	521	4,131	-	-
Government	A	-	173	5,109	-	-
Government	BBB	-	161	3,981	-	-
Deposits and investments with no credit exposure:						
Deposits		-	-	16	-	-
U.S. treasury bills		-	-	-	-	-
U.S. treasury notes		-	-	143,370	-	-
U.S. treasury bonds		-	-	68,254	-	-
Mortgage-backed		-	-	212,380	-	-
Collective investment funds		-	-	-	-	623,347
Domestic equity		-	-	549,711	-	-
International equity		-	-	28,243	-	-
Total invested assets		1,380	129,673	1,410,426	1,784	628,163
Pool related net assets (liabilities)		(163)	-	10,476	(17)	-
Total		\$ 1,217	\$ 129,673	\$ 1,420,902	\$ 1,767	\$ 628,163

### Custodial Credit Risk

ARMB does not have a policy for custodial credit risk. At January 31, 2007, SBS's deposits were uncollateralized and uninsured.

**Concentration of Credit Risk**

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

Treasury’s policy with regard to the Short-term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group.

ARMB’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.

Investment Type	Issuer	All Issuers
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 five percent of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

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

Equity holdings will be limited to five 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 two 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 five 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, 2007, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

**Foreign Currency Risk**

ARMB 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.

ARMB'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.

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

At January 31, 2007, SBS had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

Currency	Deposits	Equity (Fair Value)
Australian Dollar	\$ 1	\$ 2,324
Euro Currency	(16)	10,063
Hong Kong Dollar	-	539
Japanese Yen	-	6,075
Mexican Peso	-	235
New Thailand Dollar	19	17
New Zealand Dollar	-	41
Norwegian Krone	-	521
Pound Sterling	1	4,515
Singapore Dollar	-	503
Swedish Krona	-	1,592
Swiss Franc	-	1,521
	5	27,946
U.S. Dollar	(639)	-
	\$ (634)	\$ 27,946

**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 (APFC). 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

Except for private equity real estate investments, the Alaska Permanent Fund's (the "Fund") 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 managers of such investments, who are under contract with the APFC to provide such services.

Private equity real estate investments 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 permanent impairment 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 five percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund's investments among various asset classes. In order to allow for market fluctuations and to minimize transaction costs, the Trustees also have adopted acceptable ranges around the targets. At June 30, 2007, the APFC's asset allocation policy (with acceptable ranges) is summarized as follows:

Domestic equities	27% (± 6%)
International equities	13% (± 3%)
Global equities	14% (± 4%)
Domestic fixed income	23% (± 6%)
Non-domestic fixed income	3% (± 3%)
Infrastructure	2% (± 2%)
Real estate	10% (± 3%)
Private equity	4% (± 4%)
Absolute return	4% (± 3%)

In accordance with Alaska Statute 37.13.120, the Trustees have adopted regulations designating the types of assets eligible for investment. Those regulations follow the prudent-investor rule, requiring the exercise of judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the Fund over time while maximizing the expected total return from both income and the appreciation of capital.

**Interest Rate Risk**

The APFC 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 a measure that describes 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 factors affecting duration are, in order of importance: maturity, prepayment frequency, level of market interest rates, size of coupon, 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. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

The APFC's investment policy specifies an effective duration range for each long-term fixed income mandate (based on the respective portfolio's benchmark index duration) as follows: core domestic and core plus fixed income portfolios 80%-120%; non-domestic fixed income 50%-150%; and high yield fixed income 50%-200%. The APFC 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.

For short-term debt investments, the APFC'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 non-securitized investments. The policy limits asset backed securities held in cash management accounts to a maximum average life of 12 months at time of purchase.

**Credit Risk**

The APFC requires that its core fixed income managers invest in domestic bonds and non-domestic bonds that have an implied investment grade rating as defined by the U.S. Lehman Aggregate Index and the Citigroup World Government Bond Index, respectively. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain non-core investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

The APFC does not have an allocation to cash. Managers are encouraged to limit the amount of cash they hold, and most cash reflects pending transactions yet to settle. The APFC manages the aggregate cash position of all domestic equity managers and the internal fixed income portfolios 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 either Moody's or Standard &



Poor's equivalents of P1 or A1 for short-term investments. A second internal cash management account is maintained to invest cash balances needed for pending settlements of to-be-announced (TBA) mortgage securities in the internal fixed income portfolio. The TBA Cash Management Account invests primarily in short-term asset-backed structured products. Such securities must have a minimum rating of AAA for asset backed bonds and either P1 or A1 for asset-backed commercial paper.

### **Custodial Credit Risk**

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

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The Fund manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among managers with varying investment styles and mandates. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolutions 07-04 and 06-06, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments, and place substantial limits on the use of leverage. Managers are not permitted, under any circumstances, to encumber assets beyond those held in each separate account that is managed.

### **Foreign Currency Risk**

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

### **Forward Exchange Contracts**

Fund managers hold a variety of forward currency contracts in their trading activities, and in the management of their foreign currency exchange rate risk exposure. These contracts are typically intended to neutralize the effect of foreign currency fluctuations, and the contract amounts do not appear on the balance sheet. Realized gains and losses are included in the net increase in the fair value of investments 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 the net increase in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A minority of forward exchange contracts are intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control foreign exchange effects within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure of the market's currency.

### **Equity Index Futures**

Certain equity managers for the Fund are permitted to buy and sell equity index futures. The notional cost and market values of such futures are not required to be reported on the balance sheet of the Fund. Realized gains and losses on futures, as well as the net notional unrealized gains and losses, are included in the net increase in the fair value of investments.

**Short-Term Investments**

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2007 (in thousands):

U.S. agencies	\$ 442,308
U.S. treasury bills	391
Commercial paper	345,061
Asset-backed securities	<u>573,477</u>
Total short-term investments	1,361,237
Cash and pooled funds	<u>289,854</u>
Total cash and short-term investments	<u><u>\$ 1,651,091</u></u>

At June 30, 2007, all commercial paper investments had A-1 ratings or better from Standard & Poor's, P-1 by Moody's, or an equivalent rating. Additionally all asset-backed securities were rated AAA by either Moody's or Standard & Poor's. 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 2007 in the UCF and TBA Cash Management Account had weighted average maturities of 8 and 23 days, respectively. At June 30, 2007, uninvested, uninsured cash of \$56,386 thousand was held at the custodian or sub-custodian banks, mainly in interest bearing accounts. 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, 2007, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Treasury notes/bonds	\$ 1,914,224	\$ 1,911,793	\$ (2,431)
Mortgage-backed securities	3,579,392	3,501,633	(77,759)
Other federal agencies	1,016,947	998,800	(18,147)
Corporate bonds	2,839,420	2,777,194	(62,226)
Non-domestic bonds	<u>1,140,621</u>	<u>1,135,476</u>	<u>(5,145)</u>
Total marketable debt securities	<u><u>\$ 10,490,604</u></u>	<u><u>\$ 10,324,896</u></u>	<u><u>\$ (165,708)</u></u>

**Marketable Debt Credit Ratings**

In order to manage credit risk for marketable debt securities, the APFC monitors daily market values of all securities and routinely reviews its investment holdings' credit ratings. For accounts with a core mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Account managers with non-core mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds, rated BB+ or below) based on the terms of Trustee resolutions, as further limited by the manager's contract. For purposes of this note, if credit ratings differ among Nationally Recognized Statistical Rating Organizations (NRSRO), the rating with the highest degree of risk (the lowest rating) is used.

At June 30, 2007, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

<u>NRSRO Quality rating</u>	<u>Domestic</u>	<u>Non-domestic</u>	<u>Total market value</u>	<u>Percent of holdings</u>
AAA	\$ 1,196,097	\$ 699,148	\$ 1,895,245	18.35%
AA	551,683	4,502	556,185	5.39%
A	715,902	376,272	1,092,174	10.58%
BBB	656,658	15,291	671,949	6.51%
BB	44,813	29,543	74,356	0.72%
B	95,478	10,720	106,198	1.03%
CCC	57,357	-	57,357	0.56%
CC	875	-	875	0.01%
C	272	-	272	0.00%
D	267	-	267	0.00%
Total market value of rated debt securities	3,319,402	1,135,476	4,454,878	43.15%
U.S. government explicitly backed by the U.S. government	2,050,129	-	2,050,129	19.85%
U.S. government implicitly backed by the U.S. government	3,819,889	-	3,819,889	37.00%
Total market value debt securities	<u>\$ 9,189,420</u>	<u>\$ 1,135,476</u>	<u>\$ 10,324,896</u>	<u>100.00%</u>

### Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the APFC 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 duration range in relation to such benchmarks. At June 30, 2007, the effective duration by investment type, based on market value, is as follows:

	<u>Percent of bond holdings</u>	<u>Duration</u>
<b>Domestic bonds</b>		
Mortgages (agency and corporate)	46.29%	4.61
Treasuries	20.85%	3.87
Corporate bonds	21.20%	6.27
Government sponsored	6.85%	3.46
Supra/Sovereign	4.81%	5.96
Total domestic bonds	<u>100.00%</u>	<u>4.79</u>
<b>Non-domestic bonds</b>		
Government and agency	92.90%	5.63
Corporate and other non-government	7.10%	6.73
Total non-domestic bonds	<u>100.00%</u>	<u>5.71</u>

The APFC 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 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. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of five percent.

**Concentration of Credit Risk**

At June 30, 2007, more than five percent of the Fund's total net 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 (FNMA)		
Mortgage-backed securities	\$ 2,231,178	5.90%
Senior debt	226,752	0.60%
Equity	29,376	0.08%
Total	\$ 2,487,306	6.58%

Mortgage-backed securities represent pooled debt obligations of homeowners throughout the U.S. Although a large percentage of holdings of the Fund are aggregated through Federal National Mortgage Association (FNMA) mortgages, the actual risk remains with the underlying loans, and the ability or inability to recover balances of loans in default from the underlying loan collateral. Risk is mitigated by the FNMA's guarantee of the underlying debt, and its implicit guarantee from the U.S. government.

**Preferred and Common Stock**

Except for one commingled fund and the equity extension strategy investments, all investments in preferred and common stock are held by the APFC's custodian banks in the name of the Fund. The commingled fund investment, the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., is held by the custodian bank of the fund manager on behalf of the commingled fund's investors. The market values of the Fund's shares in the EMGF were \$980,792 thousand as of June 30, 2007, and are included in the non-domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 6.4 percent of the total EMGF value at June 30, 2007.

The equity extension strategy was new in fiscal year 2007, and differs from the traditional long-only equity strategy in that up to 40 percent of the account portfolio may be placed in short positions. These portfolios are held in custody in separate accounts in the name of the Fund at a prime broker. The market value of the long positions in the equity extension portfolios as of June 30, 2007, was \$981,117 thousand, and is included in the domestic equity values shown in the table below. The market value of the short positions in the equity extension portfolios as of June 30, 2007, was (\$201,596 thousand), and is shown on the balance sheet in the liabilities section.

Preferred and common stocks at June 30, 2007, are summarized as follows (in thousands):

	Cost	Market	Unrealized gains
Domestic	\$ 11,065,757	\$ 14,430,696	\$ 3,364,939
Non-domestic	5,861,408	8,432,368	2,570,960
Total preferred and common stock	\$ 16,927,165	\$ 22,863,064	\$ 5,935,899

**Foreign Currency Exposure**

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2007, the Fund's cash holdings and non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at market value, in thousands):

Foreign currency	Cash	Public equity	Debt	Private equity	Total foreign currency exposure
Argentine Peso	\$ -	\$ -	\$ 4,542	\$ -	\$ 4,542
Australian Dollar	(1,065)	370,724	31,207	-	400,866
Brazilian Real	10	37,831	13,441	-	51,282
Canadian Dollar	(154)	170,775	6,294	-	176,915
Chinese Yuan Renminbi	-	10,218	-	-	10,218
Colombian Peso	-	-	3,275	-	3,275
Cyprus Pound	-	21,193	-	-	21,193
Czech Koruna	12	5,174	5,281	-	10,467
Danish Krone	368	36,578	53,349	-	90,295
Egyptian Pound	150	9,297	2,614	-	12,061
Euro Currency	10,164	2,695,091	532,210	43,727	3,281,192
Hong Kong Dollar	1,064	188,439	-	-	189,503
Hungarian Forint	683	5,268	1,924	-	7,875
Indian Rupee	33	26,700	-	-	26,733
Indonesian Rupiah	6	3,853	3,901	-	7,760
Japanese Yen	4,692	1,422,753	338,038	-	1,765,483
Malaysian Ringgit	8,664	23,089	-	-	31,753
Mexican Nuevo Peso	72	18,430	1,647	-	20,149
New Israeli Shekel	-	12,597	-	-	12,597
New Taiwan Dollar	1,979	111,035	-	-	113,014
New Turkish Lira	(56)	14,407	10,692	-	25,043
New Zealand Dollar	290	14,942	-	-	15,232
Norwegian Krone	174	46,601	-	-	46,775
Philippines Peso	-	412	-	-	412
Polish Zloty	440	7,603	9,852	-	17,895
Pound Sterling	9,174	1,599,624	105,949	15,145	1,729,892
Russian New Ruble	-	7,001	-	-	7,001
Singapore Dollar	847	88,926	-	-	89,773
South African Rand	1,934	53,415	392	-	55,741
South Korean Won	-	115,654	9,683	-	125,337
Swedish Krona	(126)	150,668	17,901	-	168,443
Swiss Franc	421	470,676	-	-	471,097
Thai Baht	19	24,968	808	-	25,795
Uruguayo Peso	-	-	1,919	-	1,919
Total foreign currency exposure	<u>\$ 39,795</u>	<u>\$ 7,763,942</u>	<u>\$ 1,154,919</u>	<u>\$ 58,872</u>	<u>\$ 9,017,528</u>

Cash amounts in the schedule above include receivables, payables, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value.

**Real Estate**

The APFC is authorized by state regulations to invest Fund assets in various forms of real estate, which generally 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 APFC 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 APFC routinely analyzes private equity real estate holdings for permanent impairment, in accordance with APFC resolution 06-07. For the fiscal year ending June 30, 2007, no real estate assets were at a market value deemed necessary for permanent impairment analysis.

The carrying value of real estate at June 30, 2007, was \$3,155,699 thousand. Private equity real estate investments, 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 APFC 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, 2007, are summarized as follows (in thousands):

	Cost/equity value	Market value	Unrealized gains	Financial statement carrying value
Real estate investment trusts	\$ 612,281	\$ 822,276	\$ 209,995	\$ 822,276
Alaska residential mortgages	47	47	-	47
Property note receivable	3,492	3,492	-	3,492
Private equity real estate -				
Retail	450,009	796,727	346,718	450,009
Office	722,057	835,658	113,601	722,057
Industrial	200,717	225,289	24,572	200,717
Multifamily	957,101	1,036,393	79,292	957,101
Total real estate	<u>\$ 2,945,704</u>	<u>\$ 3,719,882</u>	<u>\$ 774,178</u>	<u>\$ 3,155,699</u>

**Alternative Investments**

Alternative investments include absolute return strategies and private equity.

Absolute return strategies are investments in specialized funds with low market correlation. The Fund’s absolute return strategies are managed through five distinct portfolios each of which have the Fund as the only limited partner and investor (“fund-of-one”). External investment management services are provided by each fund-of-one general partner. Absolute return strategies invest in a diversified portfolio of underlying limited partnership interests or similar limited liability entities. The Fund obtains fair value estimates for its partnership interests from each fund-of-one general partner, which are subject to annual audits. Many absolute return investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and/or additional expenses upon early withdrawal of invested funds.

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 APFC has hired an external advisor 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 external advisor and underlying general partners. General partners provide the Fund with fair value estimates of private equity investments utilizing the most current information available. Fair value estimates are further reviewed by the external advisor and are subject to annual audits.

Alternative investments at June 30, 2007, are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Absolute return strategy	\$ 1,355,269	\$ 1,565,445	\$ 210,176
Private equity	336,776	343,885	7,109
Total alternative investments	<u>\$ 1,692,045</u>	<u>\$ 1,909,330</u>	<u>\$ 217,285</u>

As of June 30, 2007, the APFC, on behalf of the Fund, had outstanding private equity investment commitments of approximately \$795 million.

### Alaska Certificates of Deposit

The APFC is authorized by state regulations 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 securing these investments is either letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored agencies.

### Securities Lending

Under state regulation 15 AAC 137.510, the APFC is authorized to enter into securities lending transactions on behalf of the Fund. The APFC, through an agreement with the Bank of New York Mellon (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 APFC is able to sell any securities out on loan. Upon borrower default, the Bank may hold cash collateral or sell non-cash collateral. The APFC 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 failure to return 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, 2007, such investments were in overnight repurchase agreements, and had a weighted-average maturity of one day. The average term of the loans was also one day. At June 30, 2007, the value of securities on loan and related collateral is as follows (in thousands):

Market value of securities on loan	\$ 4,741,057
Cash collateral	4,881,893

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank receives 20 percent. During the year ended June 30, 2007, there were no losses incurred as a result of securities lending transactions. The Fund received income of \$15,616 thousand from securities lending for the year ended June 30, 2007.

**Investment Income by Source**

Investment income during the year ended June 30, 2007, is summarized as follows (in thousands):

<b>Interest</b>	
Domestic marketable debt securities	\$ 406,032
Non-domestic marketable debt securities	41,980
Alaska certificates of deposit	8,924
Short-term domestic and other	82,966
Total interest	<u>\$ 539,902</u>
<b>Dividends</b>	
Domestic stocks	\$ 182,220
Non-domestic stocks	239,965
Total dividends	<u>\$ 422,185</u>
<b>Real estate and other income</b>	
Private equity real estate interest	\$ 280
Private equity real estate net rental income	161,345
Real estate investment trust dividends	33,184
Absolute return management expenses, net of dividend and interest income	(14,746)
Private equity management expenses, net of dividend income	(5,019)
Class action litigation income	30,811
Loaned securities, commission recapture and other income	16,958
Total real estate and other income	<u>\$ 222,813</u>

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

Public equity and bond asset managers for the APFC enter 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 June 30, 2007, ranged between 13 and 143 days.

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 APFC considers the risk of default to be remote. The Fund's market risk as of June 30, 2007, is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for the fiscal year ended June 30, 2007, are summarized as follows (in thousands):

Face value of FX forward contracts	\$ 2,761,454
Net FX forward contracts receivable	2,724
Market value of FX forward contracts	<u>\$ 2,764,178</u>
Unrealized gains	\$ (5,412)
Realized losses	(9,616)
Net increase (decrease) in fair value of FX forward contracts	<u>\$ (15,028)</u>



Beginning in fiscal year 2007, certain equity investment managers for the Fund were permitted to trade in equity index futures. These assets are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for the fiscal year 2007 is summarized as follows (in thousands):

Face value of equity index futures	\$ 43,566
Net realized gain on futures	1,159
Market value of equity index futures	<u>\$ 44,725</u>
Unrealized gains	\$ 1,155
Realized losses	4,496
Net increase (decrease) in fair value of futures	<u>\$ 5,651</u>

The face value of FX forward contracts and futures shown in this schedule is not required to be included in the balance sheet of the Fund. All other balance and activity amounts shown above are included in the financial statements of the Fund.

**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:

<u>Capital Asset</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Capitalize at <u>Value</u>	<u>Useful Life</u>	Capitalize at <u>Value</u>	<u>Useful Life</u>
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, 2007, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 690	\$ 41	\$ -	\$ 731
Construction in progress	1,207	425	(201)	1,431
Total capital assets not being depreciated	<u>1,897</u>	<u>466</u>	<u>(201)</u>	<u>2,162</u>
Capital assets being depreciated:				
Buildings	1,143	73	(39)	1,177
Equipment	717	63	(23)	757
Infrastructure	4,581	178	-	4,759
Total capital assets being depreciated	<u>6,441</u>	<u>314</u>	<u>(62)</u>	<u>6,693</u>
Less accumulated depreciation for:				
Buildings	(411)	(27)	14	(424)
Equipment	(330)	(30)	17	(343)
Infrastructure	(2,450)	(244)	-	(2,694)
Total accumulated depreciation	<u>(3,191)</u>	<u>(301)</u>	<u>31</u>	<u>(3,461)</u>
Total capital assets being depreciated, net	<u>3,250</u>	<u>13</u>	<u>(31)</u>	<u>3,232</u>
Capital assets, net	<u>\$ 5,147</u>	<u>\$ 479</u>	<u>\$ (232)</u>	<u>\$ 5,394</u>

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	62	118	(56)	124
Total capital assets not being depreciated	<u>92</u>	<u>118</u>	<u>(56)</u>	<u>154</u>
Capital assets being depreciated:				
Buildings	612	7	-	619
Equipment	49	2	-	51
Infrastructure	504	41	-	545
Total capital assets being depreciated	<u>1,165</u>	<u>50</u>	<u>-</u>	<u>1,215</u>
Less accumulated depreciation for:				
Buildings	(147)	(18)	-	(165)
Equipment	(36)	(3)	-	(39)
Infrastructure	(233)	(17)	-	(250)
Total accumulated depreciation	<u>(416)</u>	<u>(38)</u>	<u>-</u>	<u>(454)</u>
Total capital assets being depreciated, net	<u>749</u>	<u>12</u>	<u>-</u>	<u>761</u>
Capital assets, net	<u>\$ 841</u>	<u>\$ 130</u>	<u>\$ (56)</u>	<u>\$ 915</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), 94.3 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):

	<u>Amount</u>
Governmental Activities	
General Government	\$ 3
Education	9
Health and Human Services	4
Law and Justice	3
Natural Resources	1
Public Protection	6
Transportation	257
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>18</u>
 Total Depreciation Expense – Governmental Activities	 <u><u>\$ 301</u></u>
 Business-type Activities	
Enterprise	<u><u>\$ 38</u></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, 2007 (in millions):

	Beginning Balance <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance
Capital assets not being depreciated:				
Land	\$ 63	\$ 2	\$ (1)	\$ 64
Library, media, and museum collections	53	2	-	55
Construction in progress	300	172	(198)	274
Infrastructure	-	21	-	21
Total capital assets not being depreciated	<u>416</u>	<u>197</u>	<u>(199)</u>	<u>414</u>
Capital assets being depreciated:				
Buildings	1,163	88	-	1,251
Equipment	381	32	(25)	388
Infrastructure	799	84	-	883
Total capital assets being depreciated	<u>2,343</u>	<u>204</u>	<u>(25)</u>	<u>2,522</u>
Less accumulated depreciation for:				
Buildings	(519)	(47)	-	(566)
Equipment	(216)	(28)	18	(226)
Infrastructure	(307)	(32)	-	(339)
Total accumulated depreciation	<u>(1,042)</u>	<u>(107)</u>	<u>18</u>	<u>(1,131)</u>
Total capital assets being depreciated, net	<u>1,301</u>	<u>97</u>	<u>(7)</u>	<u>1,391</u>
Capital assets, net	<u>\$ 1,717</u>	<u>\$ 294</u>	<u>\$ (206)</u>	<u>\$ 1,805</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.

The Alaska Natural Gas Development Authority reported construction in progress that was not previously reported, see note 3 for additional information.

**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, 2007 (in thousands):

<b>Governmental Activities</b>	Beginning	Increases	Decreases	Ending	Amounts Due
	Balance			Balance	Within One
					Year
Revenue bonds payable	\$ 276,340	\$ 388,031	\$ 212,846	\$ 451,525	\$ 5,692
General obligation debt	433,916	-	29,050	404,866	29,058
Notes payable	-	-	-	-	-
Capital leases payable	140,670	8,870	19,229	130,311	14,667
Unearned & deferred revenue	194,262	26,620	14,467	206,415	177,569
Certificates of participation	74,770	-	9,495	65,275	8,285
Compensated absences	124,930	115,788	114,724	125,994	107,446
Claims and judgments	82,853	23,851	34,720	71,984	31,175
Other noncurrent liabilities	1,172	377	-	1,549	1,196
Net pension obligation	103,553	36,888	10	140,431	-
<b>Total</b>	<b>\$ 1,432,466</b>	<b>\$ 600,425</b>	<b>\$ 434,541</b>	<b>\$ 1,598,350</b>	<b>\$ 375,088</b>

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, except for the payments by Capital Project Funds for the rebate of arbitrage. 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.

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Arbitrage rebates payable are reported under claims and judgments. As of June 30, 2007 there were arbitrage payables totaling \$657.6 thousand for Sport Fish Revenue Bonds and \$2,419.4 thousand for General Obligation Bonds.

<b>Business-type Activities</b>	Beginning	Increases	Decreases	Ending	Amounts Due
	Balance			Balance	Within One
					Year
Revenue bonds payable	\$ 646,238	\$ -	\$ 13,086	\$ 633,152	\$ 15,515
Unearned & deferred revenue	4,942	5,321	4,942	5,321	5,321
Compensated absences	6	100	-	106	84
Other noncurrent liabilities	1,056	5,106	774	5,388	-
Net pension obligation	3,268	1,141	-	4,409	-
<b>Total</b>	<b>\$ 655,510</b>	<b>\$ 11,668</b>	<b>\$ 18,802</b>	<b>\$ 648,376</b>	<b>\$ 20,920</b>

**B. GENERAL OBLIGATION BONDS AND REVENUE BONDS**

GENERAL OBLIGATION BONDS

Under Article IX, Section 8 of the State Constitution and AS 37.15, the State Bonding Act, general obligation bonds must be authorized by law and ratified by voters and generally must be issued for capital improvements. There is no statutory limit on the amount of State general obligation bonds that may be authorized.

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2007, 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>
2008	\$ 25.4	\$ 19.0	\$ 44.4
2009	26.2	17.6	43.8
2010	27.1	16.3	43.4
2011	28.1	14.8	42.9
2012	29.2	13.3	42.5
2013-2017	126.4	44.9	171.3
2018-2022	93.1	17.5	110.6
2023-2027	34.0	1.6	35.6
Total debt service requirements	389.5	\$ 145.0	\$ 534.5
Unamortized bond premium	15.4		
Total principal outstanding	\$ 404.9		

The General Obligation Bonds Series 2003A were issued for the purpose of paying \$235,215,500 of the cost of design, construction and major maintenance of educational and museum facilities and for the purpose of paying \$123,914,500 of the costs of State transportation projects. The Series 2003B Bonds were issued for the purpose of paying \$102,805,000 of the costs of State transportation projects.

REVENUE BONDS

As of June 30, 2007, the following were the revenue bonds outstanding (in millions):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5.7	\$ 22.3	\$ 15.5	\$ 30.5
2009	8.8	22.1	19.9	29.7
2010	9.5	21.7	20.7	28.8
2011	10.2	21.4	21.7	27.8
2012	11.0	20.8	22.8	26.7
2013-2017	65.4	96.1	119.7	115.1
2018-2022	43.7	82.9	139.1	80.0
2023-2027	51.1	71.3	191.2	37.3
2028-2032	43.9	59.9	81.3	5.9
2033-2037	56.8	47.7	-	-
2038-2042	75.8	31.8	-	-
2043-2046	91.7	135.4	-	-
Total debt service requirements	473.6	\$ 633.4	631.9	\$ 381.8
Unamortized bond (discounts)/premiums	(10.6)		1.2	
Deferred amount on refunding	(12.2)		-	
Plus accreted value	0.7		-	
Total principal outstanding	\$ 451.5		\$ 633.1	

There are two types of revenue bonds within governmental activities reported above, the Northern Tobacco Securitization Corporation revenue bonds and the State of Alaska Sport Fishing Revenue bonds. This debt is reported in the Governmental Activities column of the Government-wide Statement of Net Assets.

#### **Northern Tobacco Securitization Corporation Revenue Bonds**

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC.

On August 17, 2006, NTSC issued \$411,988,000 of its Tobacco Settlement Asset-Backed Bonds, 2006 Series A, B, and C. Proceeds of the sale were used to fully defease the NTSC's outstanding Tobacco Settlement Asset-Backed Bonds, Series 2000 and Series 2001. \$170,280,000 of the proceeds were used to purchase the residual interest in the TSR's the State had previously retained in connection with the issuance of the prior bonds. The State has appropriated the proceeds received from the sale of these prior residual rights for various capital projects.

In August 2006, NTSC used \$193,050,000 of proceeds from the 2006 Series bonds plus an additional \$25,403,000 in existing monies to purchase U.S. Government securities. These securities were deposited with an escrow agent to provide for all future debt service payments on previously issued bonds. Those bonds are defeased and the liability for those bonds removed from the Statement of Net Assets. The advance refunding resulted in the recognition of an accounting loss of \$13,439,000, reclassified as a deferred debt refunding on the Statement of Net Assets. The economic gain from the refunding was \$12,630,000. The maturity of the long-term debt went from December 2031 to June 2046 with an additional aggregate debt service of \$80,235,000 as a result of the refunding.

NTSC revenue bond total at June 30, 2007 includes \$409,533,000 in principal, \$599,190,000 in interest, \$10,748,000 in unamortized discount, \$12,195,000 deferred amount on refunding, and \$662,000 in accreted value on the Series 2006B and Series 2006C Bonds.

#### **Alaska Sport Fishing Revenue Bonds**

The State of Alaska Sport Fishing (SF) Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its faith and credit to the payment of the bonds.

On June 7, 2007, the State defeased \$1,575,000 of the Sport Fishing Revenue Bonds, Series 2006 bearing interest at 5 percent and with a maturity date of April 1, 2017. The State paid \$1,600,925 in existing monies to an escrow agent to be placed into an irrevocable trust account to provide for all future debt service payments on the defeased bonds. Accordingly, the liability for the defeased bonds has been removed from the Statement of Net Assets. At June 30, 2007, \$1,575,000 of Sport Fish Revenue Bonds outstanding have been defeased.

Sport Fishing revenue bond total at year end includes \$64,070,000 in principal, \$34,208,025 in interest, and \$203,347 in unamortized premium.

#### **International Airports Revenue Bonds**

The business activities revenue bonds include bond issuances by the International Airports Fund. 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.

**C. CAPITAL AND OPERATING LEASES**

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

<u>Governmental Activities</u> Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2008	\$ 33.1	\$ 14.6	\$ 6.1	\$ 20.7
2009	27.3	14.1	5.4	19.5
2010	21.8	13.7	4.8	18.5
2011	18.0	11.6	4.2	15.8
2012	14.8	10.3	3.6	13.9
2013-2017	33.8	43.4	11.9	55.3
2018-2022	7.0	21.4	2.7	24.1
2023-2027	0.7	1.2	-	1.2
2028-2032	0.4	-	-	-
2033-2037	0.4	-	-	-
2038-2042	0.4	-	-	-
2043-2047	0.4	-	-	-
2048-2052	-	-	-	-
Total	<u>\$ 158.1</u>	<u>\$ 130.3</u>	<u>\$ 38.7</u>	<u>\$ 169.0</u>

**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, 2007 (in millions):

<u>Governmental Activities</u> Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2008	\$ 8.3	\$ 2.8	\$ 11.1
2009	5.6	2.5	8.1
2010	5.8	2.2	8.0
2011	6.0	2.0	8.0
2012	6.2	1.7	7.9
2013-2017	23.2	5.0	28.2
2018-2022	10.2	1.0	11.2
Total	<u>\$ 65.3</u>	<u>\$ 17.2</u>	<u>\$ 82.5</u>



**E. DISCRETELY PRESENTED COMPONENT UNITS**

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2008	\$ 202.8	\$ 225.0	\$ 427.8
2009	153.7	219.9	373.6
2010	154.9	213.4	368.3
2011	186.1	206.1	392.2
2012	191.0	197.9	388.9
2013-2016	872.9	862.4	1,735.3
2017-2021	824.6	657.9	1,482.5
2022-2026	629.4	498.2	1,127.6
2027-2031	734.3	407.3	1,141.6
2032-2036	475.8	181.6	657.4
2037-2041	319.9	77.2	397.1
2042-2046	153.4	21.1	174.5
2047-2051	24.3	1.8	26.1
2052-2056	-	-	-
2057-2061	-	-	-
Total debt service requirements	\$ 4,923.1	\$ 3,769.8	\$ 8,692.9
Unamortized (discounts)/premiums	31.4		
Deferred amount on refunding	(23.7)		
Plus accreted value	8.8		
Total principal outstanding	\$ 4,939.6		

The preceding table does not include \$984,000 of Alaska Energy Authority arbitrage interest payable.

**F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES**

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2007, debt service requirements of AHFC'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 Variable-Rate Debt	Outstanding Variable-Rate Debt	Swap	Total
	Principal	Interest	Net Payment	Payment
2008	\$ 4,640	\$ 23,477	\$ 2,132	\$ 30,249
2009	5,135	23,532	2,105	30,772
2010	5,465	23,336	2,076	30,877
2011	5,710	23,130	2,045	30,885
2012	6,895	22,914	2,013	31,822
2013-2017	72,360	107,882	9,074	189,316
2018-2022	114,910	90,752	6,996	212,658
2023-2027	126,695	67,368	4,675	198,738
2028-2032	119,985	44,121	2,397	166,503
2033-2037	105,065	23,292	593	128,950
2038-2042	67,265	6,465	(90)	73,640
	<u>\$ 634,125</u>	<u>\$ 456,269</u>	<u>\$ 34,016</u>	<u>\$ 1,124,410</u>

### SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2007, 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 AHFC 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 Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP	Counterparty Credit Rating <sup>6</sup>
							Termination Date	
GP01A <sup>1</sup>	\$ 67,485	\$ 69,877	\$(2,392)	8/2/2001	4.1427%	67% of LIBOR <sup>4</sup>	12/1/2030	A/A2
GP01B	82,465	85,336	(2,871)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	AA-/Aa3
E021A1 <sup>2</sup>	50,000	51,357	(1,357)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	122,412	(2,412)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B <sup>3</sup>	14,555	14,137	418	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AAA/Aaa
SC02C	60,250	61,097	(847)	12/5/2002	4.3030%	SIFMA <sup>5</sup> + 0.115%	7/1/2022	AAA/Aaa
E071A1 <sup>2</sup>	143,622	138,617	5,005	6/1/2007	3.6720%	70% of LIBOR	12/1/2041	AAA/Aaa
E071A2	95,748	92,277	3,471	6/1/2007	3.6720%	70% of LIBOR	12/1/2041	AAA/Aaa
Total	<u>\$634,125</u>	<u>\$635,110</u>	<u>\$ (985)</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> Securities Industry and Financial Markets Municipal Swap Index

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

### FAIR VALUE

Due to relatively lower interest rates five of AHFC's earlier interest rate swaps had a negative fair value as of June 30, 2007. Both 2007 agreements, which were priced in early 2006 when forward swap curve yields were optimal, had positive fair values. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC'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 AHFC, 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, 2007, AHFC was not exposed to credit risk only on the SC02B, E071A1 and E071A2 swaps in the amount equal to the swaps' 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. AHFC currently has swap agreements with five separate counterparties. Approximately 76 percent of the total notional amount of swaps is held with three separate counterparties, all 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+/A1, approximating 13 percent and 11 percent, respectively, of the total outstanding notional swap value.

### **Basis Risk**

All of AHFC's variable-rate demand obligation bond coupon payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and, thus is not exposed to any basis risk. As of June 30, 2007, SIFMA was 3.73 percent and LIBOR was 5.32 percent, resulting in a positive 1.59 percent spread. The spread between LIBOR and SIFMA has fluctuated since the agreements became effective, but as the spread increases, so does the anticipated cost savings from the swaps.

### **Rollover Risk**

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC 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 GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The E021A1 and E021A2 swaps were structured with several tranches, allowing AHFC 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**

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, thus, AHFC 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, AHFC would be liable to the counterparty for payments equal to the swaps' fair value. AHFC or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**A. STATE ADMINISTERED PLANS**

**DESCRIPTION OF PLANS**

**The Public Employees’ Retirement System – Defined Benefit (PERS-DB)**

PERS-DB is a defined benefit, agent, multiple-employer public employee retirement plan 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. The 24<sup>th</sup> Alaska State Legislature enacted into law Senate Bill 141, which closed the PERS-DB to new members effective July 1, 2006 and created a Public Employees’ Retirement System Defined Contribution Retirement Plan (PERS-DCR). Information regarding PERS-DCR is disclosed in Note 8.

The PERS-DB Plan is a plan within the Public Employees’ Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB and PERS-DCR Plans, and the PERS portion of Public Employees’ and Teachers’ Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. PERS-DB and PERS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The PERS-DB and PERS-DCR are 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, 2007, the number of PERS participating employers was:

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

PERS-DB 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-DB 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 entry age normal actuarial funding method. The FY 07 actuarially determined rate was 30.60 percent (32.64 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2007, was 22.65 percent of compensation (23.42 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 five percent (Title 2 Alaska Administrative Code 35.900).

The Schedule of Funding Progress for the State of Alaska PERS-DB pension 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
2004	\$2,880,188	\$4,194,403	\$(1,314,215)	68.7%	\$870,838	(150.9%)
2005	2,922,874	4,529,089	(1,606,215)	64.5%	920,565	(174.5%)
2006	3,853,365	5,162,943	(1,309,578)	74.6%	972,411	(134.7%)

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 60 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 60, and receive benefits at no premium cost if they are over age 60 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 of the PERS-DB Plan. Retirees of the three other state plans also participate in the RHF. The retirees of the PERS-DB Plan and the other three 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 PERS-DB 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
2004	\$2,030,875	\$2,957,551	\$ (926,676)	68.7%	\$870,838	(106.4%)
2005	2,209,218	3,414,538	(1,205,320)	64.7%	920,565	(130.9%)
2006	1,649,330	3,737,922	(2,088,592)	44.1%	972,410	(214.8%)

The actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2007. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 07 follows (in thousands):

Annual Required Contribution	\$ 142,802
Interest on net pension obligation	9,026
Adjustment to annual required contribution	<u>(7,020)</u>
Annual Pension Cost (APC)	144,808
Contributions Made	<u>(107,951)</u>
Increase in Net Pension Obligation (NPO)	36,857
Net Pension Obligation Beginning of Year	<u>109,402</u>
Net Pension Obligation End of the Year	<u><u>\$ 146,259</u></u>

Three year trend information for pension benefits follows:

Year Ended June 30	APC	Percentage of APC	
		Contributed	NPO
2005	\$ 117,626	50.0%	\$ 58,804
2006	135,274	62.6%	109,402
2007	144,808	74.5%	146,259

### The Teachers' Retirement System – Defined Benefit (TRS-DB)

TRS-DB 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. Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS-DB provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. The 24<sup>th</sup> Alaska State Legislature enacted into law Senate Bill 141, which closed the TRS-DB to new members effective July 1, 2006 and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DCR). Information regarding TRS-DCR is disclosed in Note 8.

The TRS-DB Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB and TRS-DCR Plans, and the TRS portion of Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. TRS-DB and TRS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The TRS-DB and TRS-DCR are 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, 2007 the number of participating employers was:

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

TRS-DB 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 one 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 determined using the entry age normal actuarial funding method. The TRS-DB Plan uses the level dollar method to amortize the unfunded liability over a 25 year fixed period. The employer rate for the State of Alaska for the year ended June 30, 2007 was 26 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 60 or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age 60 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 of the TRS-DB Plan. Retirees of three other state plans also participate in the RHF. The participating 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, 2007, 2006, and 2005 were \$12.5, \$10.1, and \$7.5 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 seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 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 determined using the entry age normal actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2007, was 38.53 percent of compensation.

The Schedule of Funding Progress for pension 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
2002	\$56,705	\$63,970	\$ (7,265)	88.6%	\$5,942	(122.3%)
2004	53,601	69,505	(15,904)	77.1%	6,530	(243.6%)
2006	77,311	111,820	(34,509)	69.1%	7,131	(484.0%)

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 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
2002	\$ 6,979	\$ 7,873	\$ (894)	88.6%	\$5,942	(15.0%)
2004	16,855	21,856	(5,001)	77.1%	6,530	(76.6%)
2006	2,399	17,794	(15,395)	13.5%	7,131	(215.9%)

The actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2007. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay. The State of Alaska's net pension asset for FY 07 follows (in thousands):

Annual Required Contribution	\$ 3,169
Interest on net pension asset	(27)
Adjustment to annual required contribution	21
Annual Pension Cost (APC)	3,163
Contributions Made	(3,163)
Increase in Net Pension Obligation/(Asset)	-
Net Pension Obligation/(Asset) Beginning of Year	(333)
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ (333)</u></u>

Three year trend information for pension benefits follows:

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2005	\$ 1,912	100.0%	\$ -
2006	2,134	115.6%	(333)
2007	3,163	100.0%	(333)

**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 entry age normal actuarial funding method. The Schedule of Funding Progress for pension benefits follows (in thousands):

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2002	\$ 12,114	\$ 20,545	\$ (8,431)	59.0%
2004	13,391	19,749	(6,358)	67.8%
2006	15,588	25,458	(9,870)	61.2%

The actuarial valuation as of June 30, 2004 set the contribution rates for the year ended June 30, 2006. The projected unit credit method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 07 follows:

Annual Required Contribution	\$ 1,737,406
Interest on net pension obligation	(194)
Adjustment to annual required contribution	382
Annual Pension Cost (APC)	<u>1,737,594</u>
Contributions Made	<u>(1,737,406)</u>
Increase in Net Pension Obligation/(Asset)	188
Net Pension Obligation/(Asset) Beginning of Year	<u>(2,356)</u>
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ (2,168)</u></u>

Three year trend information for pension benefits follows (in thousands):

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2005	\$ 2,025	98.6%	\$ 29
2006	2,023	101.4%	(2)
2007	1,738	100.0%	(2)

**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 five percent for each year of service as governor, lieutenant governor, or a legislator, plus two 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 seven 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, 2007, 2006, and 2005 was \$1.7 million, \$1.7 million, and \$1.6 million. The contributions received from employees totaled \$7,156 in FY 07. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2005.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2005	\$0	\$20,028	\$(20,028)	0.0%

Prior to the June 30, 2005 actuarial valuation, the last valuation performed on EPORS was for the period ended June 30, 1986.

Plan benefits for EPORS are not prefunded, but are paid when due. Enough money has been appropriated each year to pay the benefits as they come due; therefore, there is no net pension obligation at the end of the year. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay.

Three year trend information for pension benefits follows (in thousands):

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2005	\$ 1,197	100.0%	\$ -
2006	1,250	100.0%	-
2007	1,281	100.0%	-

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	\$12,102,781
Teachers' Retirement System	5,414,382
Judicial Retirement System	101,521
Alaska National Guard and Alaska Naval Militia Retirement System	19,507

**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, 2007.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>
	6/30/07	6/30/07	6/30/07	6/30/07	6/30/07
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	29,269	10,483	93	1,468	38
Current active employees:					
Vested	19,758	5,632	43	*	1
Nonvested	12,251	3,624	27	3,846	-
Total	<u>61,278</u>	<u>19,739</u>	<u>163</u>	<u>5,314</u>	<u>39</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 entry age normal actuarial funding method within the June 30, 2006 valuation reports, with the exception of EPORS, which uses the projected unit credit method within the June 30, 2005 valuation report. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

The objective under the entry age normal actuarial funding method is to fund each participant's benefits under the Plan as a level percentage of covered compensation, starting at original participation date, and continuing until the assumed retirement, disability, termination or death. On introduction, this method produces a liability which represents the contributions which would have been accumulated had this method always been in effect. This liability is generally funded over a period of years as a level percentage of compensation. This component is known as the Amortization Cost Percentage. The total employer appropriation cost of the system is the total of the Normal Cost Percentage and the Amortization Cost Percentage.

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Care Inflation		Consumer Price Index Inflation	Valuation Date	
			Medical	Rx			
PERS	8.25%	Police & Firefighters - 6.5% first 6 yrs, 4.5% thereafter. All Others - 9.5% first 5 yrs, 5.5% for year 6 then grading down to 5.0% and 4.0%.	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
TRS	8.25%	6% first 5 yrs, grading down to 4% after 15 yrs	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
JRS	8.25%	4.0% per year	FY 07	9.0%	13.0%	3.5%	6/30/2006
			FY 08	8.5%	12.0%		
			FY 09	8.0%	11.0%		
NGNMRS	7.25%	–		–	–		6/30/2006
EPORS	5.00%	4.0 % per year	FY 06	9.5%	14.0%	3.5%	6/30/2005
			FY 07	9.0%	13.0%		

For PERS, TRS and JRS 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. NGNMRS assets valuation was changed from using the market value of assets without smoothing of gains and losses to a five year smoothing asset valuation method. This new method will be phased in over the next five years with the first phase-in recognized during FY 07.

**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 \$679.9 thousand in FY 07.

**NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS**

**A. STATE ADMINISTERED PLANS**

**DESCRIPTION OF PLANS**

**The Public Employees' Retirement System – Defined Contribution Retirement Plan (PERS-DCR)**

PERS-DCR is a defined contribution, agent, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24<sup>th</sup> Alaska Legislature enacted into law Senate Bill 141, which created PERS-DCR effective July 1, 2006. PERS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 7) and PERS-DCR Plans, and the PERS portion of Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. PERS-DB and PERS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The PERS-DB and PERS-DCR are also reported as a pension (and other employee benefit) trust fund by the State. PERS-DB and PERS-DCR financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2007, there were 160 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 18 terminated plan members entitled to future benefits, and 2,844 active members, of which 2,678 are general employees and 166 are peace officers and firefighters.

PERS-DCR pension contribution rates are eight percent for PERS-DCR members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes. An employer shall contribute to each member's individual pension account an amount equal to five percent of the member's compensation. Participant accounts under the PERS-DCR Plan are self-directed with respect to investment options.

On July 1, 2006, the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan were created with two separate pension trust funds, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). A separate stand-alone financial report that includes financial statements and required supplementary information is issued for RMP and HRA. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. PERS-DCR participants are eligible members of RMP and HRA and their postemployment health care benefits are paid out of these funds. The employer RMP contribution rate for FY 07 for each member's compensation was 1.75 percent for medical coverage, and 0.3 percent for death and disability (0.4 percent for peace officers and firefighters).

The contributions to this plan for the year ended June 30, 2007 by the employees were \$2,845 thousand and the State of Alaska employers were \$1,957 thousand.

See Note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2007 is \$8,149 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

### **The Teachers' Retirement System – Defined Contribution Retirement Plan (TRS-DCR)**

TRS-DCR is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for teachers and other eligible members. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24<sup>th</sup> Alaska Legislature enacted into law Senate Bill 141, which created TRS-DCR effective July 1, 2006. TRS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 7) and TRS-DCR Plans, and the TRS portion of Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan. TRS-DB and TRS-DCR issue a separate stand-alone financial report that includes financial statements and required supplementary information. The TRS-DB and TRS-DCR are also reported as a pension (and other employee benefit) trust fund by the State. TRS-DB and TRS-DCR financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2007, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, five terminated plan members entitled to future benefits, and 641 active members.

TRS-DCR pension contribution rates are eight percent for TRS-DCR members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes. An employer shall contribute to each member's individual pension account an amount equal to seven percent of the member's compensation. Participant accounts under the TRS-DCR Plan are self-directed with respect to investment options.

On July 1, 2006, the Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan were created with two separate pension trust funds, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). A separate stand-alone financial report that includes financial statements and required supplementary information is issued for RMP and HRA. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. TRS-DCR participants are eligible members of RMP and HRA and their postemployment health care benefits are paid out of these funds. The employer RMP contribution rate for FY 07 for each member's compensation was 1.75 percent for medical coverage, 0.0 percent for death and disability, as no funding source was provided for death and disability. This was rectified in FY 08.

The contributions to this plan for the year ended June 30, 2007 by the employees were \$83.8 thousand and the State of Alaska employers were \$72.7 thousand.

See Note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2007 is \$5,182 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

### **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, 2007, there were sixteen other employers participating in SBS. There were approximately 35,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. Through September 30, 2005, the Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in SBS. Effective October 1, 2005, ASPIB was disbanded and their duties were 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, 2007, were \$108,220 thousand. The state's covered payroll was approximately \$882,706 thousand.

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, 2007, were \$4,696 thousand.

Employees are eligible to withdraw from the Supplemental Annuity Plan 60 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 Assistance Program.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2007. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds 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 \$927 thousand in FY 07.

**NOTE 9 – DEFERRED COMPENSATION PLAN**

The State of Alaska Deferred Compensation 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 and long term non-permanent employees, or elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions who perform services for the State in the capacity of an independent contractor) 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, 2006 the Deferred Compensation Plan had approximately 8,500 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 Deferred Compensation Plan.

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and recordkeeping. The Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in the Deferred Compensation Plan through September 30, 2005. Effective October 1, 2005 the ASPIB was disbanded and their duties were 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 and deductions for administrative fees.

Deferred Compensation Plan net assets as of December 31, 2006 were \$524,322,000. Deferred Compensation Plan 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, 2007, 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	\$ -	\$ 1,558	\$ 28,975	\$ 4,342	\$ 15,031	\$ 49,906
Alaska Permanent Fund	1,063,955	-	-	-	-	1,063,955
Nonmajor						
Governmental Funds	7,554	-	-	-	-	7,554
International Airports	38,922	-	-	-	-	38,922
Nonmajor						
Enterprise Funds	31,252	-	-	-	-	31,252
Internal Service Funds	287	-	-	-	-	287
Fiduciary Funds	1,583	-	-	-	-	1,583
Other	24,032	(1)		(1)	(4)	24,026
Total	<u>\$ 1,167,585</u>	<u>\$ 1,557</u>	<u>\$ 28,975</u>	<u>\$ 4,341</u>	<u>\$ 15,027</u>	<u>\$ 1,217,485</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, 2007.

The \$1,064 million balance due from the Alaska Permanent Fund to the General Fund includes \$1,022 million for payment of 2007 Permanent Fund dividends to qualified residents of the State and administrative and associated costs of the 2007 Permanent Dividend Program. The remaining balance of \$42 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 07 activity during the reappropriation period in July and August 2007 that caused the movement of cash balances between funds after June 30, 2007.

**INTERFUND TRANSFERS**

Transfers From	Transfers to						Total
	General Fund	Alaska Permanent Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ -	\$ 45,247	\$ 1,671	\$ 35,458	\$ 1	\$ 82,377
Alaska Permanent Fund	1,063,955	-	-	-	-	-	1,063,955
Nonmajor							
Governmental Funds	179,476	49	37,445	-	-	-	216,970
Nonmajor Enterprise Funds	4,697	-	-	29,000	-	2	33,699
Internal Service Funds	-	-	-	-	-	-	-
Other	8,002	-	-	-	-	-	8,002
Total	<u>\$ 1,256,130</u>	<u>\$ 49</u>	<u>\$ 82,692</u>	<u>\$ 30,671</u>	<u>\$ 35,458</u>	<u>\$ 3</u>	<u>\$ 1,405,003</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 \$1,021 billion transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. 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. The transfer from General Fund to other represents rounding differences, as well as, the transfer from nonmajor enterprise funds to other.

#### **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, 2007, is \$31,566,865. This amount was calculated using the base pay on file for each employee as of June 30, 2007. 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 60, 70, 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 60 percent limitation, enacted in 2002, applies to fiscal years after June 30, 1999. The higher percentages apply to earlier years.

Although the statute provides that the State may reimburse school districts 60, 70, 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 07 expended for school debt was \$86,924,109, 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 \$1,194,476,424. 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 includes 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 07, 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) which calculates unfunded claims and allocated loss adjustment expenses (ALAE).

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, 2006, and June 30, 2007. 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 3.5 percent discount interest rate for FY 06 and a 3.5 percent discount interest rate for FY 07.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2006	\$ 66,575,915	\$ 30,332,586	\$ (26,463,026)	\$ 70,445,475
2007	70,445,475	20,855,580	(26,202,625)	65,098,430

**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 \$3,808,000, with an additional possible liability of \$294,224,000. 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, 2007, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds.

At June 30, 2007, the Alaska Energy Authority had open loan commitments of \$3,769,000 and held approximately \$5,364,000 of investments in escrow.

At June 30, 2007, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan commitments of \$27,673,000 and loan guarantees of \$1,907,000. 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 Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments.

Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 8,892,586	\$ 3,968,095	\$ 80,125	\$ 12,159
Limited Partnership				
To be paid through 2014.	495,067,445	226,378,224	-	-
To be paid through 2017.	62,924,790	28,075,210	-	-
Real Estate Investment				
To be paid through 2011.	318,407,443	143,549,368	3,060,415	-
	\$885,292,264	\$ 401,970,897	\$ 3,140,540	\$ 12,159

## **I. DEFINED BENEFIT RETIREE HEALTH PROGRAM CONTINGENCY**

The Department of Administration determined that statutory changes were needed to ensure that the Defined Benefit Retiree Health Program is funded in compliance with the Internal Revenue Code. The Defined Benefit Retiree Health Program is funded through the Retirement Systems including the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System. Consequently, during the fiscal year 2007 legislative session, a law was enacted that created the Alaska Retiree Health Care Trusts (ARHCT), two separate irrevocable trusts. Senate Bill 123 (SB 123), effective June 7, 2007, directs all separately calculated employer contributions for the retiree health benefits, and appropriations, earning and reserves for payment of retiree medical obligations, to be credited to the ARHCT. Pursuant to SB 123, Treasury and the Department of Administration established and implemented the ARHCT effective as of July 1, 2007. The ARHCT will be funded through contributions from employers and premiums paid by retirees.

The Department of Administration intends to seek a tax determination letter from the Internal Revenue Service during the filing cycle beginning on February 1, 2008, and ending on January 31, 2009 concerning the status of the pension plans it administers as qualified governmental plans under Internal Revenue Code Sections 401(a) and 414(d). The Department of Administration also intends to seek private letter rulings regarding the status of the ARHCT. Finally, the Department of Administration intends to seek rulings and/or guidance from the Internal Revenue Service with respect to the prior structure of the Defined Benefit Retiree Health Program. As a result, invested assets may need to be reallocated between net assets available for pension benefits and net assets available for retiree health benefits, which could require a transfer of invested assets into the ARHCT. At this time, the Department of Administration is unable to predict the exact timing of the making of its intended filing with the Internal Revenue Service, the timing of any guidance that may be obtained from the Internal Revenue Service, the results or impact of such guidance on the statements of invested assets and changes therein, or the amount of a transfer, if any to the ARHCT.

## **NOTE 12 – SUBSEQUENT EVENTS**

### **A. ALASKA MUNICIPAL BOND BANK AUTHORITY**

Subsequent to June 30, 2007, the Bond Bank issued two general obligation bond series:

- General Obligation Bonds, 2007 Series Three, in the face amount of \$15,050,000 with interest rates ranging from 3.78 percent to 4.66 percent, over maturities of September 2008 through September 2032. The bond sale closed on July 10, 2007.
- General Obligation Bonds, 2007 Series Four, in the face amount of \$15,625,000, with interest rates ranging from 4.25 percent to 5 percent, over maturities of September 2008 through September 2027.

### **B. ALASKA STUDENT LOAN CORPORATION**

On July 6, 2007, the Alaska Student Loan Corporation called all outstanding Series 1997 A Bonds at par in the amount of \$49,000.

### **C. ALASKA CLEAN WATER FUND**

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 08 in the amount of \$821,800. 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.

Plans are in place to transfer \$29,000,000 from the Alaska Clean Water Fund to the Alaska Drinking Water Fund.

### **D. ALASKA DRINKING WATER FUND**

Plans are in place to issue Series B Revenue Bond Anticipation Notes for FY 08 in the amount of \$1,103,800. 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. GENERAL FUND LONG-TERM CAPITAL LEASES**

In October 2007, the State entered into two separate long-term leases. A capital lease agreement was made between the State and Alaska Housing Finance Corporation to lease the Atwood Parking Garage for the term beginning in fiscal year 2008 through fiscal year 2028. The value of the lease principal and interest is \$66.7 million. A financing contract for a lease-purchase of IP Telephone and Radio Equipment in the amount of \$17.3 million in principal and interest was entered between the State and Key Government Finance Inc. The term on this lease begins in fiscal year 2008 through fiscal year 2015.

**F. AGRICULTURAL REVOLVING LOAN FUND**

On September 9, 2007, Agriculture Revolving Loan Fund (ARLF), acting through the Board of Agriculture and Conservation approved a resolution recommending the sale of all, or substantially all, of the Creamery Corporation, d/b/a Matanuska Maid (the Corporation) property, plant and equipment. The disposal plan includes closing the Matanuska Maid Creamery and Distribution Center located in Anchorage and the Matanuska Maid Blow Mold facility located in Palmer. There is no definitive date for the closure; however, Matanuska Maid will stop accepting milk on December 14, 2007. On October 12, 2007 Public Notice of Competitive Sealed Bid was issued for the sale of real and personal property of the Corporation with a minimum acceptable offer for the entire property of \$3,350,000. Current assets and liabilities with a book value of \$1.2 million are not included as part of the sale.

ARLF owns 100% of the shares of the Creamery Corporation, d/b/a Matanuska Maid and accounts for ownership as an investment using the equity method. The carrying amount of the investment is \$4.1 million as of June 30, 2007.



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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, 2007  
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Unrestricted:				
Taxes	\$ 1,836,198	\$ 1,836,697	\$ 3,206,623	\$ (1,369,926)
Licenses and Permits	98,228	103,866	108,660	(4,794)
Charges for Services	149,729	158,373	180,292	(21,919)
Fines and Forfeitures	14,400	14,400	32,047	(17,647)
Rents and Royalties	1,528,825	1,529,286	1,633,440	(104,154)
Premiums and Contributions	102	113	11,988	(11,875)
Interest and Investment Income	187,871	186,500	400,991	(214,491)
Payments In from Component Units	248,445	248,484	99,807	148,677
Other Revenues	12,700	14,071	13,092	979
Restricted:				
Federal Grants in Aid	6,389,508	6,480,780	1,931,972	4,548,808
Interagency	588,294	869,605	535,537	334,068
Other Revenues	1,321	1,321	1,545	(224)
<b>Total Revenues</b>	<b>11,055,621</b>	<b>11,443,496</b>	<b>8,155,994</b>	<b>3,287,502</b>
<b>EXPENDITURES</b>				
Current:				
General Government	516,145	558,145	466,780	91,365
Alaska Permanent Fund Dividend	668,511	668,511	658,294	10,217
Education	611,071	1,580,605	1,483,899	96,706
University	437,635	440,317	310,173	130,144
Health and Human Services	2,495,994	2,526,198	1,984,259	541,939
Law and Justice	207,280	264,470	212,138	52,332
Public Protection	756,167	886,109	709,996	176,113
Natural Resources	557,075	614,056	378,542	235,514
Development	647,422	685,029	529,663	155,366
Transportation	5,311,035	5,649,433	1,809,917	3,839,516
Intergovernmental Revenue Sharing	64,569	66,072	65,485	587
Debt Service:				
Principal	9,582	9,582	9,495	87
Interest and Other Charges	3,628	3,628	3,652	(24)
<b>Total Expenditures</b>	<b>12,286,114</b>	<b>13,952,155</b>	<b>8,622,293</b>	<b>5,329,862</b>
Excess (Deficiency) of Revenues Over Expenditures	(1,230,493)	(2,508,659)	(466,299)	(2,042,360)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In from Other Funds	2,079,803	3,174,664	3,173,066	1,598
Transfers (Out to) Other Funds	(906,310)	(1,998,357)	(1,998,270)	(87)
<b>Total Other Financing Sources and Uses</b>	<b>1,173,493</b>	<b>1,176,307</b>	<b>1,174,796</b>	<b>1,511</b>
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis	\$ (57,000)	\$ (1,332,352)	708,497	\$ (2,040,849)
<b>Reconciliation of Budgetary/ GAAP Reporting:</b>				
Adjust Expenditures for Encumbrances Basis Difference			1,401,273 204,827	
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses GAAP Basis			2,314,597	
Fund Balances - Beginning of Year			5,323,300	
Fund Balances - End of Year			\$ 7,637,897	



**Note to Required Supplementary Information – Budgetary Reporting  
For the Fiscal Year Ended June 30, 2007**

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 99821-0204, 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 the “Of Interest”, “Financial Reports” section.

The legislature's legal authorization (appropriations) to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (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 financial activity related to reimbursable services agreements (RSA) and interfund transactions that were recorded 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	\$ 187,096
Medical Assistance Program	(1,102)
Working Reserve	3,767
Tobacco Tax	2,524
Alcohol Tax	58
Tire Tax	43
Vehicle Rental Tax	305
Commercial Passenger Vessel Excise Tax	12,136
Total General Fund Basis Difference	\$ 204,827



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# Combining Fund Statements

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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 Gasline Inducement Act Reimbursement (Fund 11188)** – AS 43.90.400 – Administered by the Office of the Governor. This fund consists of money appropriated to it by the legislature for reimbursing a percentage of qualified expenditures as authorized under AS 43.90.110. These state matching contributions serve as an inducement to aid in the construction of a natural gas pipeline.
- **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 fund consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the fund to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the fund 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. The fund is used 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.
- **Correctional Industries Fund (Fund 22654)** – AS 33.32.020 – Administered by the Department of Corrections. This statute was repealed effective June 30, 2005. This fund accounted for correctional industries program activities which included a commercial laundry service and a furniture manufacturing enterprise. The correctional industries program provided employment for inmates at several of the State’s correctional institutions. All expenses of the correctional industries program were financed from the correctional industries fund and budgeted in accordance with the executive budget.

- **Disaster Relief Fund (Fund 12120)** – 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 – Administered by the Department of Education and Early Development. 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 who 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; 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.
- **Municipal Harbor Facility Grant Fund (Fund 11187)** – AS 29.60.800 – Administered by the Department of Transportation and Public Facilities. The money appropriated to the fund may be expended by the department for municipal harbor grants.
- **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' Compensation Benefits Guaranty Fund (Fund 11186)** – AS 23.30.082 – Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **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.





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STATE OF ALASKA  
 Combining Balance Sheet  
 General Fund  
 June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.01

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
<b>ASSETS</b>			
Cash and Investments	\$ 2,547,186	\$ 16,188	\$ 1,536,390
Accounts Receivable - Net	524	5	
Interest and Dividends Receivable	1,426	72	
Due from Other Funds	5,248,386	1,021,668	
Due from Component Units			
Due from Other Governments		265	
Loans, Notes, and Bonds Receivable			
Inventories			
Securities Lending Collateral	308,676		
Other Assets		4	
<b>Total Assets</b>	<b>\$ 8,106,198</b>	<b>\$ 1,038,202</b>	<b>\$ 1,536,390</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 40	\$ 3,732	\$
Obligations Under Securities Lending	308,676		
Due to Other Funds		513	
Due to Component Units			
Due to Other Governments			
Unearned and Deferred Revenue		236	
Other Liabilities		5	
<b>Total Liabilities</b>	<b>308,716</b>	<b>4,486</b>	<b>0</b>
Fund Balances:			
Reserved:			
Encumbrances		120	
Nonliquid Assets	4,781,779		
Other Purposes			
Unreserved:			
Designated for Continuing Appropriations		135	
Designated for Other	524	1,033,461	1,536,390
Undesignated	3,015,179		
<b>Total Fund Balances</b>	<b>7,797,482</b>	<b>1,033,716</b>	<b>1,536,390</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,106,198</b>	<b>\$ 1,038,202</b>	<b>\$ 1,536,390</b>

**STATEMENT 3.01**

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 2,284,941	\$	\$ 6,384,705
513,022		513,551
10,238		11,736
397,950	(5,500,419)	1,167,585
17,531		17,531
398,042		398,307
19,751		19,751
12,547		12,547
41,534		350,210
20,133		20,137
<u>\$ 3,715,689</u>	<u>\$ (5,500,419)</u>	<u>\$ 8,896,060</u>
\$ 586,557	\$	\$ 590,329
41,534		350,210
5,549,812	(5,500,419)	49,906
2,581		2,581
133		133
263,567		263,803
1,196		1,201
<u>6,445,380</u>	<u>(5,500,419)</u>	<u>1,258,163</u>
530,262		530,382
33,102		4,814,881
43,560		43,560
727,068	(727,203)	0
718,096	(1,039,397)	2,249,074
(4,781,779)	1,766,600	0
(2,729,691)	0	7,637,897
<u>\$ 3,715,689</u>	<u>\$ (5,500,419)</u>	<u>\$ 8,896,060</u>

STATE OF ALASKA  
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
General Fund  
For the Fiscal Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 3.02

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
<b>REVENUES</b>			
Taxes	\$ 54,362	\$	\$
Licenses and Permits			
Charges for Services		285	
Fines and Forfeitures	618	319	
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income	244,025		
Federal Grants in Aid		3,476	
Payments In from Component Units			
Other Revenues		782	61
Total Revenues	<u>299,005</u>	<u>4,862</u>	<u>61</u>
<b>EXPENDITURES</b>			
Current:			
General Government	16,466	6,555	
Alaska Permanent Fund Dividend		658,294	
Education			954,751
University			
Health and Human Services		12,598	
Law and Justice		1,310	
Public Protection		11,955	
Natural Resources			
Development			
Transportation			
Intergovernmental Revenue Sharing			
Debt Service:			
Principal			
Interest and Other Charges			
Total Expenditures	<u>16,466</u>	<u>690,712</u>	<u>954,751</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>282,539</u>	<u>(685,850)</u>	<u>(954,690)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Capital Leases			
Transfers In from Other Funds	118	1,022,168	1,409,054
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>118</u>	<u>1,022,168</u>	<u>1,409,054</u>
Net Change in Fund Balances	<u>282,657</u>	<u>336,318</u>	<u>454,364</u>
Fund Balances - Beginning of Year	<u>7,514,825</u>	<u>697,398</u>	<u>1,082,026</u>
Fund Balances - End of Year	<u>\$ 7,797,482</u>	<u>\$ 1,033,716</u>	<u>\$ 1,536,390</u>

STATEMENT 3.02

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 3,381,103	\$	\$ 3,435,465
108,660		108,660
180,007		180,292
31,110		32,047
1,606,758		1,606,758
11,988		11,988
187,197		431,222
1,989,552		1,993,028
99,806		99,806
13,794		14,637
<u>7,609,975</u>	<u>0</u>	<u>7,913,903</u>
253,846		276,867
0		658,294
348,731		1,303,482
310,173		310,173
1,802,472		1,815,070
177,064		178,374
541,457		553,412
233,359		233,359
412,559		412,559
960,638		960,638
61,925		61,925
9,495		9,495
3,652		3,652
<u>5,115,371</u>	<u>0</u>	<u>6,777,300</u>
2,494,604	0	1,136,603
4,241		4,241
233,962	(1,409,172)	1,256,130
(1,491,549)	1,409,172	(82,377)
(1,253,346)	0	1,177,994
1,241,258	0	2,314,597
(3,970,949)		5,323,300
<u>\$ (2,729,691)</u>	<u>\$ 0</u>	<u>\$ 7,637,897</u>



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# Nonmajor Governmental Funds

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STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007  
(Stated in Thousands)

STATEMENT 3.11

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
<b>ASSETS</b>		
Cash and Investments	\$ 369,687	\$ 414,662
Accounts Receivable - Net	998	4,127
Interest and Dividends Receivable	838	
Due from Other Funds	412	281
Due from Component Units		
Due from Other Governments		6,096
Loans, Notes, and Bonds Receivable	74	
Securities Lending Collateral	8,537	68,139
Other Assets		42
Total Assets	<u>\$ 380,546</u>	<u>\$ 493,347</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 7	\$ 10,082
Obligations Under Securities Lending	8,537	68,139
Due to Other Funds		3,144
Due to Component Units		1
Unearned and Deferred Revenue	825	10
Other Liabilities	4	353
Total Liabilities	<u>9,373</u>	<u>81,729</u>
Fund Balances:		
Reserved:		
Encumbrances		29,481
Debt Service		
Other Purposes	357,944	912
Unreserved:		
Designated for Continuing Appropriations	582	324,438
Designated for Other		4,038
Undesignated	12,647	52,749
Total Fund Balances	<u>371,173</u>	<u>411,618</u>
Total Liabilities and Fund Balances	<u>\$ 380,546</u>	<u>\$ 493,347</u>

STATEMENT 3.11

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 39,256	\$ 152,990	\$ 976,595
		5,125
	672	1,510
864		1,557
	370	370
		6,096
		74
65		76,741
		42
<u>\$ 40,185</u>	<u>\$ 154,032</u>	<u>\$ 1,068,110</u>
\$ 65	\$ 481	\$ 10,570
		76,741
	4,410	7,554
		1
		835
		357
<u>65</u>	<u>4,891</u>	<u>96,058</u>
	33,067	62,548
40,120		40,120
		358,856
	102,400	427,420
		4,038
	13,674	79,070
<u>40,120</u>	<u>149,141</u>	<u>972,052</u>
<u>\$ 40,185</u>	<u>\$ 154,032</u>	<u>\$ 1,068,110</u>

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**  
**(Stated in Thousands)**

**STATEMENT 3.12**

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
<b>REVENUES</b>		
Taxes	\$	\$ 26,997
Licenses and Permits		33,544
Charges for Services		403
Fines and Forfeitures	107	213
Rents and Royalties	10,733	12,772
Premiums and Contributions		4,381
Interest and Investment Income	41,588	21,114
Federal Grants in Aid		28,386
Payments In from Component Units		300,576
Other Revenues		(14)
Total Revenues	52,428	428,372
<b>EXPENDITURES</b>		
Current:		
General Government	140	5,667
Education	12,716	27,321
University		
Health and Human Services		4,014
Natural Resources		58,478
Development		17,335
Transportation		52
Debt Service:		
Principal		
Interest and Other Charges		
Existing Monies to Bond Escrow Agent		
Total Expenditures	12,856	112,867
Excess (Deficiency) of Revenues Over Expenditures	39,572	315,505
<b>OTHER FINANCING SOURCES (USES)</b>		
Bonds Issued		218,938
Refunding Bonds Issued		193,050
Bond Discount		(11,180)
Other Debt Proceeds		(193,050)
Transfers In from Other Funds	1	2,115
Transfers (Out to) Other Funds		(207,774)
Total Other Financing Sources and Uses	1	2,099
Net Change in Fund Balances	39,573	317,604
Fund Balances - Beginning of Year	331,600	94,014
Fund Balances - End of Year	\$ 371,173	\$ 411,618

STATEMENT 3.12

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$ 26,997
		33,544
		403
		320
		23,505
		4,381
2,134	9,628	74,464
		28,386
		300,576
16,726		16,712
<u>18,860</u>	<u>9,628</u>	<u>509,288</u>
		5,807
	15,894	55,931
	10,065	10,065
		4,014
	1,111	59,589
		17,335
	28,167	28,219
29,615		29,615
38,601		38,601
<u>27,009</u>		<u>27,009</u>
<u>95,225</u>	<u>55,237</u>	<u>276,185</u>
<u>(76,365)</u>	<u>(45,609)</u>	<u>233,103</u>
		218,938
		193,050
		(11,180)
		(193,050)
80,576		82,692
	(9,196)	(216,970)
<u>80,576</u>	<u>(9,196)</u>	<u>73,480</u>
<u>4,211</u>	<u>(54,805)</u>	<u>306,583</u>
<u>35,909</u>	<u>203,946</u>	<u>665,469</u>
<u>\$ 40,120</u>	<u>\$ 149,141</u>	<u>\$ 972,052</u>



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# Permanent Funds

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Permanent funds account for permanent endowments created when the principal amount of a contribution must be invested and preserved but earnings on amounts invested can be used for public purpose. Following are the State's permanent funds.

- **Alaska Mental Health Trust Authority (Fund 34040)** – AS 47.30.011 – This is a Discretely Presented Component Unit. The fund description is contained in the Notes to the Basic Financial Statements, Note 1A. Statements are included in the Nonmajor Component Units section.
- **Alaska Permanent Fund (Fund 34030)** – 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. This is a major fund and included in Statements 1.11, 1.13, and 3.23.
- **Public School Trust Fund (Fund 34010)** – AS 37.14.110 – Administered by the Department of Revenue. 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 (AS 34.14.150). The net income of the fund may be appropriated only for the support of the state public school program. This is a non-major fund and is included in Statements 3.01, 3.02, and 3.23.



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

## Permanent Funds

For the Fiscal Year Ended June 30, 2007

(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
<b>REVENUES</b>			
Unrestricted:			
Fines and Forfeitures	\$ 107	\$ 107	\$ 0
Rents and Royalties	10,733	10,733	0
Interest and Investment Income	40,830	40,830	0
Total Revenues	<u>51,670</u>	<u>51,670</u>	<u>0</u>
<b>EXPENDITURES</b>			
Current:			
General Government	230	140	90
Education	11,958	11,958	0
Law and Justice			
Natural Resources	583		583
Total Expenditures	<u>12,771</u>	<u>12,098</u>	<u>673</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>38,899</u>	<u>39,572</u>	<u>(673)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In from Other Funds	1	1	0
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>1</u>	<u>1</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ 38,900</u>	39,573	<u>\$ (673)</u>
<b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		39,573	
Fund Balances - Beginning of Year		331,600	
Fund Balances - End of Year		<u>\$ 371,173</u>	



Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 532,232	\$ 532,232	\$ 0	\$ 107	\$ 107	\$ 0
5,517,846	5,517,846	0	542,965	542,965	0
<u>6,050,078</u>	<u>6,050,078</u>	<u>0</u>	<u>6,101,748</u>	<u>6,101,748</u>	<u>0</u>
63,856	63,856	0	64,086	63,996	90
1,477	1,477	0	11,958	11,958	0
4,462	4,462	0	1,477	1,477	0
<u>69,795</u>	<u>69,795</u>	<u>0</u>	<u>5,045</u>	<u>4,462</u>	<u>583</u>
5,980,283	5,980,283	0	82,566	81,893	673
49	49	0	6,019,182	6,019,855	(673)
(1,063,955)	(1,063,955)	0	49	50	0
(1,063,906)	(1,063,906)	0	(1,063,955)	(1,063,955)	0
<u>\$ 4,916,377</u>	<u>4,916,377</u>	<u>\$ 0</u>	<u>\$ 4,955,277</u>	<u>4,955,950</u>	<u>\$ (673)</u>
	4,916,377			4,955,950	
	<u>32,909,719</u>			<u>33,241,319</u>	
	<u>\$ 37,826,096</u>			<u>\$ 38,197,269</u>	



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# Nonmajor Special Revenue Funds

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Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Additionally, special revenue funds account for the General Fund of legally separate entities (component units) that are blended with the government. The following are the State's special revenue funds.

- **Alaska Housing Capital Corporation (AHCC) (Fund 34076)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is to fund capital projects, including financing expenses. AHCC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **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 was 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.
- **Mine Reclamation Trust Fund (Fund 12140)** – AS 37.14.800(A) – Administered by Department of Natural Resources. The principal and earnings of the fund shall be held by the State for the purpose of protecting the public interest in reclaiming mine sites in the State. The fund is composed of the mine reclamation trust fund income account and the mine reclamation trust fund operating account. The fund's income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account. The mine reclamation trust fund operating account consists of appropriations by the legislature of the annual balance of the mine reclamation trust fund income account and any earnings on those appropriations while in the operating account.
- **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 USC 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 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, 2007  
 (Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
<b>ASSETS</b>						
Cash and Investments	\$ 5,803	\$ 11,480	\$ 9,693	\$ 4,301	\$ 44,069	\$ 1,356
Accounts Receivable - Net			22	4,102		
Due from Other Funds		281				
Due from Other Governments			6,089			
Securities Lending Collateral			1,827			270
Other Assets			42			
<b>Total Assets</b>	<u>\$ 5,803</u>	<u>\$ 11,761</u>	<u>\$ 17,673</u>	<u>\$ 8,403</u>	<u>\$ 44,069</u>	<u>\$ 1,626</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 582	\$ 15	\$ 2,334	\$ 3,639	\$ 3,144	\$
Obligations Under Securities Lending			1,827			270
Due to Other Funds	22		2,758			
Due to Component Units						
Unearned and Deferred Revenue			10			
Other Liabilities						353
<b>Total Liabilities</b>	<u>604</u>	<u>15</u>	<u>6,929</u>	<u>3,639</u>	<u>3,144</u>	<u>623</u>
Fund Balances:						
Reserved:						
Encumbrances		1	677	7	28,155	
Other Purposes						
Unreserved:						
Designated for Continuing Appropriations			1,559			
Designated for Other						
Undesignated	5,199	11,745	8,508	4,757	12,770	1,003
<b>Total Fund Balances</b>	<u>5,199</u>	<u>11,746</u>	<u>10,744</u>	<u>4,764</u>	<u>40,925</u>	<u>1,003</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,803</u>	<u>\$ 11,761</u>	<u>\$ 17,673</u>	<u>\$ 8,403</u>	<u>\$ 44,069</u>	<u>\$ 1,626</u>

STATEMENT 3.31

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
\$ 1,389	\$ 3,314	\$ 7,463	\$ 3,250	\$ 4,039	\$ 910 3	\$ 317,595	\$ 414,662
							4,127
							281
	659	1,487	7 647			63,249	6,096
							68,139
							42
<u>\$ 1,389</u>	<u>\$ 3,973</u>	<u>\$ 8,950</u>	<u>\$ 3,904</u>	<u>\$ 4,039</u>	<u>\$ 913</u>	<u>\$ 380,844</u>	<u>\$ 493,347</u>
\$ 5	\$ 659	\$ 1,487	\$ 363 647	\$	\$	\$ 63,249	\$ 10,082
288			75		1		68,139
				1			3,144
							1
							10
							353
<u>293</u>	<u>659</u>	<u>1,487</u>	<u>1,085</u>	<u>1</u>	<u>1</u>	<u>63,249</u>	<u>81,729</u>
		200	441				29,481
					912		912
		5,229	55	4,038		317,595	324,438
1,096	3,314	2,034	2,323				4,038
1,096	3,314	7,463	2,819	4,038	912	317,595	52,749
<u>\$ 1,389</u>	<u>\$ 3,973</u>	<u>\$ 8,950</u>	<u>\$ 3,904</u>	<u>\$ 4,039</u>	<u>\$ 913</u>	<u>\$ 380,844</u>	<u>\$ 493,347</u>

STATE OF ALASKA  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 3.32

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
<b>REVENUES</b>						
Taxes	\$	\$ 18	\$	\$ 26,979	\$	\$
Licenses and Permits		1,009	30,079			
Charges for Services			365			38
Fines and Forfeitures	10		193			
Rents and Royalties					12,772	
Premiums and Contributions	3,719					
Interest and Investment Income			775			79
Federal Grants in Aid			28,253			
Payments In from Component Units						
Other Revenues			(25)			
Total Revenues	<u>3,729</u>	<u>1,027</u>	<u>59,640</u>	<u>26,979</u>	<u>12,772</u>	<u>117</u>
<b>EXPENDITURES</b>						
Current:						
General Government			1,567		14	
Education				27,258	63	
Health and Human Services	2,899	1,108				
Natural Resources			53,459			9
Development					15,129	
Transportation						
Total Expenditures	<u>2,899</u>	<u>1,108</u>	<u>55,026</u>	<u>27,258</u>	<u>15,206</u>	<u>9</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>830</u>	<u>(81)</u>	<u>4,614</u>	<u>(279)</u>	<u>(2,434)</u>	<u>108</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Bonds Issued						
Refunding Bonds Issued						
Bond Discount						
Payment to Refunded Bond Escrow Agent						
Transfers In from Other Funds						
Transfers (Out to) Other Funds						
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>(5,847)</u>	<u>0</u>	<u>(50)</u>	<u>0</u>
Net Change in Fund Balances	830	(81)	(1,233)	(279)	(2,484)	108
Fund Balances - Beginning of Year	4,369	11,827	11,977	5,043	43,409	895
Fund Balances - End of Year	<u>\$ 5,199</u>	<u>\$ 11,746</u>	<u>\$ 10,744</u>	<u>\$ 4,764</u>	<u>\$ 40,925</u>	<u>\$ 1,003</u>



STATEMENT 3.32

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
\$ 2,456	\$	\$	\$	\$	\$	\$	\$ 26,997
10							33,544
							403
							213
							12,772
			662				4,381
	201	452	308		74	19,225	21,114
			133				28,386
						300,576	300,576
			11				(14)
<u>2,466</u>	<u>201</u>	<u>452</u>	<u>1,114</u>	<u>0</u>	<u>74</u>	<u>319,801</u>	<u>428,372</u>
72				4,014			5,667
7							27,321
2,045	23		2,920		22		4,014
						2,206	58,478
		52					17,335
<u>2,124</u>	<u>23</u>	<u>52</u>	<u>2,920</u>	<u>4,014</u>	<u>22</u>	<u>2,206</u>	<u>112,867</u>
342	178	400	(1,806)	(4,014)	52	317,595	315,505
				218,938			218,938
				193,050			193,050
				(11,180)			(11,180)
				(193,050)			(193,050)
							2,115
				(199,762)			(207,774)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,996</u>	<u>0</u>	<u>0</u>	<u>2,099</u>
342	178	400	(1,806)	3,982	52	317,595	317,604
754	3,136	7,063	4,625	56	860		94,014
<u>\$ 1,096</u>	<u>\$ 3,314</u>	<u>\$ 7,463</u>	<u>\$ 2,819</u>	<u>\$ 4,038</u>	<u>\$ 912</u>	<u>\$ 317,595</u>	<u>\$ 411,618</u>

STATE OF ALASKA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.33

	Second Injury		Variance with Budget
	Budget	Actual	
<b>REVENUES</b>			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures	10	10	0
Rents and Royalties			
Premiums and Contributions	3,719	3,719	0
Interest and Investment Income			
Other Revenues			
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	<u>3,729</u>	<u>3,729</u>	<u>0</u>
<b>EXPENDITURES</b>			
Current:			
General Government			
Education			
Health and Human Services	3,975	2,899	1,076
Law and Justice			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>3,975</u>	<u>2,899</u>	<u>1,076</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(246)</u>	<u>830</u>	<u>(1,076)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis			
	<u>\$ (246)</u>	<u>830</u>	<u>\$ (1,076)</u>
<b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis			
		830	
Fund Balances - Beginning of Year		4,369	
Fund Balances - End of Year		<u>\$ 5,199</u>	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 18	\$ 18	\$ 0	\$ 30,079	\$ 30,079	\$ 0
1,009	1,009	0	364	365	(1)
				193	(193)
				775	(775)
			28,688	(25)	28,713
			31,990	28,253	3,737
			35		35
<u>1,027</u>	<u>1,027</u>	<u>0</u>	<u>91,156</u>	<u>59,640</u>	<u>31,516</u>
			1,567	1,567	0
1,635	1,109	526			
			69,852	56,505	13,347
<u>1,635</u>	<u>1,109</u>	<u>526</u>	<u>71,419</u>	<u>58,072</u>	<u>13,347</u>
<u>(608)</u>	<u>(82)</u>	<u>(526)</u>	<u>19,737</u>	<u>1,568</u>	<u>18,169</u>
			2,465	2,465	0
			(8,569)	(8,312)	(257)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,104)</u>	<u>(5,847)</u>	<u>(257)</u>
<u>\$ (608)</u>	<u>(82)</u>	<u>\$ (526)</u>	<u>\$ 13,633</u>	<u>(4,279)</u>	<u>\$ 17,912</u>
	1			3,046	
	(81)			(1,233)	
	<u>11,827</u>			<u>11,977</u>	
	<u>\$ 11,746</u>			<u>\$ 10,744</u>	

This statement continued on the next page.

STATE OF ALASKA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.33

	School		Variance with Budget
	Budget	Actual	
<b>REVENUES</b>			
Unrestricted:			
Taxes	\$ 25,965	\$ 25,965	\$ 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			
<b>Total Revenues</b>	<u>25,965</u>	<u>25,965</u>	<u>0</u>
<b>EXPENDITURES</b>			
Current:			
General Government			
Education	27,710	27,266	444
Health and Human Services			
Law and Justice			
Natural Resources			
Development			
Transportation			
<b>Total Expenditures</b>	<u>27,710</u>	<u>27,266</u>	<u>444</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,745)</u>	<u>(1,301)</u>	<u>(444)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
<b>Total Other Financing Sources and Uses</b>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (1,745)</u>	<u>(1,301)</u>	<u>\$ (444)</u>
<b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>			
Adjust Expenditures for Encumbrances		7	
Funds Not Annually Budgeted			
Basis Difference		<u>1,015</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		(279)	
Fund Balances - Beginning of Year		5,043	
Fund Balances - End of Year		<u>\$ 4,764</u>	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			2,456	2,456	0
			10	10	0
12,772	12,772	0			
<u>12,772</u>	<u>12,772</u>	<u>0</u>	<u>2,466</u>	<u>2,466</u>	<u>0</u>
14	14	0	72	72	0
81	81	0			
			7	7	0
43,265	43,259	6	2,045	2,045	0
<u>43,360</u>	<u>43,354</u>	<u>6</u>	<u>2,124</u>	<u>2,124</u>	<u>0</u>
<u>(30,588)</u>	<u>(30,582)</u>	<u>(6)</u>	<u>342</u>	<u>342</u>	<u>0</u>
<u>(50)</u>	<u>(50)</u>	<u>0</u>			
<u>(50)</u>	<u>(50)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (30,638)</u>	<u>(30,632)</u>	<u>\$ (6)</u>	<u>\$ 342</u>	<u>342</u>	<u>\$ 0</u>
	28,148				
	(2,484)			342	
	43,409			754	
<u>\$</u>	<u>40,925</u>		<u>\$</u>	<u>1,096</u>	

This statement continued on the next page.

STATE OF ALASKA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.33

	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	178	178	0
Other Revenues			
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	178	178	0
<b>EXPENDITURES</b>			
Current:			
General Government			
Education			
Health and Human Services			
Law and Justice	400		400
Natural Resources			
Development			
Transportation	2,653		2,653
Total Expenditures	3,053	0	3,053
Excess (Deficiency) of Revenues Over Expenditures	(2,875)	178	(3,053)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	0	0	0
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis			
	\$ (2,875)	178	\$ (3,053)
<b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), GAAP Basis			
		178	
Fund Balances - Beginning of Year		3,136	
Fund Balances - End of Year		<u>3,314</u>	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			662	662	0
400	400	0	285	285	0
			133	133	0
			11	11	0
400	400	0	1,091	1,091	0
			6,097	3,338	2,759
5,429	200	5,229			
5,429	200	5,229	6,097	3,338	2,759
(5,029)	200	(5,229)	(5,006)	(2,247)	(2,759)
0	0	0	0	0	0
\$ (5,029)	200	\$ (5,229)	\$ (5,006)	(2,247)	\$ (2,759)
	200			441	
	400			(1,806)	
	7,063			4,625	
\$	<u>7,463</u>		\$	<u>2,819</u>	

This statement continued on the next page.

STATE OF ALASKA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.33

	Mine Reclamation Trust		
	Budget	Actual	Variance with Budget
<b>REVENUES</b>			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services	35		35
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income		74	(74)
Other Revenues			
Restricted:			
Federal Grants in Aid			
Interagency			
Total Revenues	35	74	(39)
<b>EXPENDITURES</b>			
Current:			
General Government			
Education			
Health and Human Services			
Law and Justice			
Natural Resources		22	(22)
Development			
Transportation			
Total Expenditures	0	22	(22)
Excess (Deficiency) of Revenues			
Over Expenditures	35	52	(17)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources			
and Uses	0	0	0
Excess (Deficiency) of Revenues, Over (Under)			
Expenditures, and Other Financing Sources (Uses),			
Budgetary Basis	\$ 35	52	\$ (17)
<b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under)			
Expenditures, and Other Financing Sources (Uses),			
GAAP Basis		52	
Fund Balances - Beginning of Year		860	
Fund Balances - End of Year		\$ 912	



Funds Not Annually Budgeted					
Reclamation Bonding Pool	Northern Tobacco Securitization Corporation	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds		
Actual	Actual	Actual	Budget	Actual	Variance with Budget
\$	\$	\$	\$ 25,983	\$ 25,983	\$ 0
			33,544	33,544	0
			399	365	34
			20	213	(193)
			12,772	12,772	0
			4,381	4,381	0
			863	1,712	(849)
			28,688	(25)	28,713
			32,123	28,386	3,737
			46	11	35
0	0	0	138,819	107,342	31,477
			1,653	1,653	0
			27,791	27,347	444
			5,617	4,015	1,602
			400	0	400
			77,994	61,910	16,084
			43,265	43,259	6
			8,082	200	7,882
0	0	0	164,802	138,384	26,418
0	0	0	(25,983)	(31,042)	5,059
			2,465	2,465	0
			(8,619)	(8,362)	(257)
0	0	0	(6,154)	(5,897)	(257)
0	0	0	<u>(32,137)</u>	(36,939)	<u>4,802</u>
				31,843	
108	3,982	317,595		321,685	
				1,015	
108	3,982	317,595		317,604	
895	56			94,014	
<u>\$ 1,003</u>	<u>\$ 4,038</u>	<u>\$ 317,595</u>		<u>\$ 411,618</u>	



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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.

- **Alaska Fish and Game Revenue Bond Redemption Fund (Fund 14122)** – AS 37.15.770 – Accounts for accumulation of resources for, and the payment of, principal, interest, redemption premium, and related trustee fees on the Sport Fishing Revenue Bonds.
- **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, 2007  
 (Stated in Thousands)

STATEMENT 3.41

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
<b>ASSETS</b>				
Cash and Investments	\$ 324	\$ 33,014	\$ 5,918	\$ 39,256
Due from Other Funds			864	864
Securities Lending Collateral	65			65
Total Assets	<u>\$ 389</u>	<u>\$ 33,014</u>	<u>\$ 6,782</u>	<u>\$ 40,185</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Obligations Under Securities Lending	\$ 65	\$ 0	\$ 0	\$ 65
Total Liabilities	<u>65</u>	<u>0</u>	<u>0</u>	<u>65</u>
Fund Balances:				
Reserved:				
Debt Service	324	33,014	6,782	40,120
Total Fund Balances	<u>324</u>	<u>33,014</u>	<u>6,782</u>	<u>40,120</u>
Total Liabilities and Fund Balances	<u>\$ 389</u>	<u>\$ 33,014</u>	<u>\$ 6,782</u>	<u>\$ 40,185</u>

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

## Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2007

(Stated in Thousands)

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
<b>REVENUES</b>				
Interest and Investment Income	\$ 29	\$ 1,702	\$ 403	\$ 2,134
Other Revenues		16,726		16,726
Total Revenues	29	18,428	403	18,860
<b>EXPENDITURES</b>				
Debt Service:				
Principal	24,745	2,455	2,415	29,615
Interest and Other Charges	20,293	15,425	2,883	38,601
Existing Monies to Bond Escrow Agent		25,403	1,606	27,009
Total Expenditures	45,038	43,283	6,904	95,225
Excess (Deficiency) of Revenues Over Expenditures	(45,009)	(24,855)	(6,501)	(76,365)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In from Other Funds	43,132	29,482	7,962	80,576
Total Other Financing Sources and Uses	43,132	29,482	7,962	80,576
Net Change in Fund Balances	(1,877)	4,627	1,461	4,211
Fund Balances - Beginning of Year	2,201	28,387	5,321	35,909
Fund Balances - End of Year	\$ 324	\$ 33,014	\$ 6,782	\$ 40,120



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# Nonmajor Capital Projects Funds

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The capital projects funds account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds and trust funds). The following are the State's capital projects funds.

- **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 general obligation bonds, and is to be used for the purpose of paying the cost of State transportation projects that qualify for federal highway aid.
- **Alaska Sport Fishing Construction Account (Fund 13211)** – AS 16.05.130(f) – This fund consists of the proceeds from the sale of \$68,060,000 of Sport Fishing Revenue Bonds, and is to be used to finance the construction and renovation of fisheries rehabilitation, enhancement, and development projects that benefit sport fishing.
- **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 general obligation 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 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.



STATE OF ALASKA  
 Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.51

	Accelerated Alaska Transportation Projects	Transportation Projects
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and Investments	\$ 26,632	\$ 35,622
Interest and Dividends Receivable	116	161
Due from Component Units		
Total Assets	<u>\$ 26,748</u>	<u>\$ 35,783</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$	\$
Due to Other Funds	360	3,636
Total Liabilities	<u>360</u>	<u>3,636</u>
Fund Balances:		
Reserved:		
Encumbrances	4,392	16,028
Unreserved:		
Designated for Continuing Appropriations	19,487	11,727
Undesignated	2,509	4,392
Total Fund Balances	<u>26,388</u>	<u>32,147</u>
Total Liabilities and Fund Balances	<u>\$ 26,748</u>	<u>\$ 35,783</u>



STATEMENT 3.51

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	Total Nonmajor Capital Projects Funds
\$ 26,005	\$ 64,731	\$ 152,990
113	282	672
370		370
<u>\$ 26,488</u>	<u>\$ 65,013</u>	<u>\$ 154,032</u>
\$ 418	\$ 63	\$ 481
199	215	4,410
<u>617</u>	<u>278</u>	<u>4,891</u>
11,616	1,031	33,067
11,541	59,645	102,400
2,714	4,059	13,674
<u>25,871</u>	<u>64,735</u>	<u>149,141</u>
<u>\$ 26,488</u>	<u>\$ 65,013</u>	<u>\$ 154,032</u>

STATE OF ALASKA  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Fiscal Year Ended June 30, 2007  
 (Stated in Thousands)

STATEMENT 3.52

	Accelerated Alaska Transportation Projects	Transportation Projects
<b>REVENUES</b>		
Interest and Investment Income	\$ 1,480	\$ 2,436
Total Revenues	<u>1,480</u>	<u>2,436</u>
<b>EXPENDITURES</b>		
Current		
Education		
University		
Natural Resources		
Transportation	3,946	24,221
Total Expenditures	<u>3,946</u>	<u>24,221</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,466)	(21,785)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers (Out to) Other Funds	(2,367)	(3,078)
Total Other Financing Sources and Uses	<u>(2,367)</u>	<u>(3,078)</u>
Net Change in Fund Balances	(4,833)	(24,863)
Fund Balances - Beginning of Year	31,221	57,010
Fund Balances - End of Year	<u>\$ 26,388</u>	<u>\$ 32,147</u>

STATEMENT 3.52

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	Total Nonmajor Capital Projects Funds
\$ 2,250	\$ 3,462	\$ 9,628
<u>2,250</u>	<u>3,462</u>	<u>9,628</u>
15,894		15,894
10,065		10,065
	1,111	1,111
		<u>28,167</u>
<u>25,959</u>	<u>1,111</u>	<u>55,237</u>
(23,709)	2,351	(45,609)
(3,751)		(9,196)
(3,751)	0	(9,196)
(27,460)	2,351	(54,805)
53,331	62,384	203,946
<u>\$ 25,871</u>	<u>\$ 64,735</u>	<u>\$ 149,141</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 USC 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, 2007  
(Stated in Thousands)

STATEMENT 4.01

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Investments	\$ 52,500	\$ 317	\$ 421,557	\$ 474,374
Accounts Receivable - Net	188		6,441	6,629
Interest and Dividends Receivable	3,648		2,091	5,739
Due from Other Funds			28,975	28,975
Due from Other Governments			240	240
Loans, Notes, and Bonds Receivable	8,211		13,089	21,300
Securities Lending Collateral			23,547	23,547
Other Current Assets			9	9
<b>Total Current Assets</b>	<b>64,547</b>	<b>317</b>	<b>495,949</b>	<b>560,813</b>
Noncurrent Assets:				
Interest and Dividends Receivable	23,831			23,831
Loans, Notes, and Bonds Receivable	109,836	6	160,572	270,414
Repossessed Property	588		871	1,459
Investment in Projects, Partnerships, or Corporations			6,841	6,841
Other Noncurrent Assets			2,490	2,490
Capital Assets:				
Construction in Progress			30,909	30,909
<b>Total Noncurrent Assets</b>	<b>134,255</b>	<b>6</b>	<b>201,683</b>	<b>335,944</b>
<b>Total Assets</b>	<b>198,802</b>	<b>323</b>	<b>697,632</b>	<b>896,757</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	336		4,932	5,268
Obligations Under Securities Lending			23,547	23,547
Due to Other Funds	642	113	30,497	31,252
Due to Other Governments			3,081	3,081
Claims, Judgements and Compensated Absences			84	84
Other Current Liabilities			1,088	1,088
<b>Total Current Liabilities</b>	<b>978</b>	<b>113</b>	<b>63,229</b>	<b>64,320</b>
Noncurrent Liabilities:				
Claims, Judgements and Compensated Absences			22	22
Other Noncurrent Liabilities			173	173
<b>Total Noncurrent Liabilities</b>	<b>0</b>	<b>0</b>	<b>195</b>	<b>195</b>
<b>Total Liabilities</b>	<b>978</b>	<b>113</b>	<b>63,424</b>	<b>64,515</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt			30,908	30,908
Restricted for:				
Unemployment Compensation			290,388	290,388
Health and Human Services			290,034	290,034
Other Purposes			195	195
Unrestricted	197,824	210	22,683	220,717
<b>Total Net Assets</b>	<b>\$ 197,824</b>	<b>\$ 210</b>	<b>\$ 634,208</b>	<b>\$ 832,242</b>



## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2007

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>				
Premiums and Contributions	\$	\$	\$ 169,070	\$ 169,070
Charges for Goods and Services	153		719	872
Interest and Investment Income	6,607	65	2,563	9,235
Allowance for Uncollectible Interest	144			144
Fines and Forfeitures	52		6	58
Federal Grants in Aid			676	676
Total Operating Revenues	6,956	65	173,034	180,055
<b>OPERATING EXPENSES</b>				
Benefits			122,908	122,908
Operating	4,287		3,119	7,406
Depreciation			36	36
Provision for Loan Losses and Forgiveness	1,473	1		1,474
Other Operating Expenses			225	225
Total Operating Expenses	5,760	1	126,288	132,049
Operating Income (Loss)	1,196	64	46,746	48,006
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and Investment Income			19,355	19,355
Interest and Investment Expense			(826)	(826)
Gain (Loss) on Disposal of Capital Assets			(540)	(540)
Other Nonoperating Revenues (Expenses)			1,126	1,126
Total Nonoperating Revenues (Expenses)	0	0	19,115	19,115
Income Before Capital Contributions and Transfers	1,196	64	65,861	67,121
Capital Contributions			20,604	20,604
Transfers In from Other Funds			30,671	30,671
Transfers (Out to) Other Funds	(1,510)	(113)	(32,076)	(33,699)
Change in Net Assets	(314)	(49)	85,060	84,697
Total Net Assets - Beginning of Year	198,138	259	549,148	747,545
Total Net Assets - End of Year	\$ 197,824	\$ 210	\$ 634,208	\$ 832,242

STATE OF ALASKA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Other Governments	\$	\$	\$ 677	\$ 677
Receipts from Customers	102		1,215	1,317
Receipt of Principal from Loan Recipients	13,881	37	18,454	32,372
Receipt of Interest and Fees from Loan Recipients	5,486	27	3,540	9,053
Receipts from Insured			167,952	167,952
Payments to Employees			(1,307)	(1,307)
Payments to Suppliers			(1,653)	(1,653)
Payments to Other Governments			(2,945)	(2,945)
Payments to Loan Recipients	(10,434)		(24,177)	(34,611)
Claims Paid			(123,450)	(123,450)
Interfund Services Used	(4,184)		(2)	(4,186)
Other Receipts	11		3,462	3,473
Other Payments			(2,108)	(2,108)
Net Cash Provided (Used) by Operating Activities	4,862	64	39,658	44,584
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Subsidies and Transfers (Out to) Other Funds	(1,440)	(50)	(3,076)	(4,566)
Operating Subsidies and Transfers In from Other Funds			772	772
Federal Grants			13,023	13,023
Proceeds from Issuance of Short-term Debt			2,791	2,791
Payments on Short-term Debt			(2,085)	(2,085)
Interest and Fees Paid on Borrowing			(3)	(3)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,440)	(50)	11,422	9,932
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets			(9,389)	(9,389)
Federal Grants			9,879	9,879
Other Receipts (Payments)			(490)	(490)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Income from Securities Lending Activities			830	830
Expenses from Securities Lending Activities			(820)	(820)
Interest and Dividends on Investments			19,418	19,418
Net Cash Provided (Used) by Investing Activities	0	0	19,428	19,428
Net Increase (Decrease) in Cash	3,422	14	70,508	73,944
Cash and Cash Equivalents - Beginning of Year	49,078	303	351,049	400,430
Cash and Cash Equivalents - End of Year	\$ 52,500	\$ 317	\$ 421,557	\$ 474,374

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, 2007  
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 1,196	\$ 64	\$ 46,746	\$ 48,006
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization			36	36
Other Reconciling Items			(1,583)	(1,583)
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	4		(2,335)	(2,331)
Due from Other Funds			446	446
Due from Other Governments			(21)	(21)
Loans, Notes and Bonds Receivable - Net	3,111		(4,829)	(1,718)
Repossessed Property			1,989	1,989
Investment in Projects, Partnerships, or Corporations			918	918
Securities Lending Collateral			(2,748)	(2,748)
Interest and Dividends Receivable - Net	(116)		225	109
Other Assets	821		(1,042)	(221)
Due to Other Funds	84		647	731
Due to Other Governments			(2,325)	(2,325)
Accounts Payable and Accrued Liabilities	(238)		28	(210)
Obligations Under Securities Lending			2,748	2,748
Other Liabilities			758	758
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,862</u>	<u>\$ 64</u>	<u>\$ 39,658</u>	<u>\$ 44,584</u>
<b>Reconciliation of Cash to the Statement of Net Assets:</b>				
Total Cash and Investments per the Statement of Net Assets	\$ 52,500	\$ 317	\$ 421,557	\$ 474,374
Cash, End of Year	<u>\$ 52,500</u>	<u>\$ 317</u>	<u>\$ 421,557</u>	<u>\$ 474,374</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>				
Transfers (Out to) Other Funds (Accrual)	(773)	(113)		(886)

STATE OF ALASKA  
Combining Statement of Net Assets  
Commercial Assistance Enterprise Funds  
June 30, 2007  
(Stated in Thousands)

STATEMENT 4.11

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 134	\$ 204	\$ 36,187
Accounts Receivable - Net	188		
Interest and Dividends Receivable			2,505
Loans, Notes, and Bonds Receivable	4	3	6,103
Total Current Assets	<u>326</u>	<u>207</u>	<u>44,795</u>
Noncurrent Assets:			
Interest and Dividends Receivable	9		3,441
Loans, Notes, and Bonds Receivable	15	4	55,025
Repossessed Property			588
Total Noncurrent Assets	<u>24</u>	<u>4</u>	<u>59,054</u>
Total Assets	<u>350</u>	<u>211</u>	<u>103,849</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3		333
Due to Other Funds	6	54	269
Total Current Liabilities	<u>9</u>	<u>54</u>	<u>602</u>
Total Liabilities	<u>9</u>	<u>54</u>	<u>602</u>
<b>NET ASSETS</b>			
Unrestricted	341	157	103,247
Total Net Assets	<u>\$ 341</u>	<u>\$ 157</u>	<u>\$ 103,247</u>

STATEMENT 4.11

<u>Child Care Facility Revolving Loan</u>	<u>Historical District Revolving Loan</u>	<u>Fisheries Enhancement Revolving Loan</u>	<u>Mining Revolving Loan</u>	<u>Total Commercial Assistance Enterprise Funds</u>
\$ 102	\$ 96	\$ 15,526	\$ 251	\$ 52,500
				188
		1,143		3,648
	12	2,089		8,211
<u>102</u>	<u>108</u>	<u>18,758</u>	<u>251</u>	<u>64,547</u>
		20,381		23,831
	88	54,704		109,836
				588
<u>0</u>	<u>88</u>	<u>75,085</u>	<u>0</u>	<u>134,255</u>
<u>102</u>	<u>196</u>	<u>93,843</u>	<u>251</u>	<u>198,802</u>
				336
<u>102</u>	<u>21</u>	<u>189</u>	<u>1</u>	<u>642</u>
<u>102</u>	<u>21</u>	<u>189</u>	<u>1</u>	<u>978</u>
<u>102</u>	<u>21</u>	<u>189</u>	<u>1</u>	<u>978</u>
	175	93,654	250	197,824
<u>\$ 0</u>	<u>\$ 175</u>	<u>\$ 93,654</u>	<u>\$ 250</u>	<u>\$ 197,824</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Commercial Assistance Enterprise Funds  
 For the Fiscal Year Ended June 30, 2007  
 (Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
<b>OPERATING REVENUES</b>			
Charges for Goods and Services	\$ 2	\$	\$ 136
Interest and Investment Income	3	1	5,124
Allowance for Uncollectible Interest			144
Fines and Forfeitures	1		51
Total Operating Revenues	<u>6</u>	<u>1</u>	<u>5,455</u>
<b>OPERATING EXPENSES</b>			
Operating			3,698
Provision for Loan Losses and Forgiveness			160
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>3,858</u>
Operating Income (Loss)	<u>6</u>	<u>1</u>	<u>1,597</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers (Out to) Other Funds	<u>(6)</u>	<u>(54)</u>	<u>(1,326)</u>
Change in Net Assets	0	(53)	271
Total Net Assets - Beginning of Year	341	210	102,976
Total Net Assets - End of Year	<u>\$ 341</u>	<u>\$ 157</u>	<u>\$ 103,247</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
\$	\$	\$	\$	\$
	9	15 1,469	1	153 6,607 144
				52
<u>0</u>	<u>9</u>	<u>1,484</u>	<u>1</u>	<u>6,956</u>
		589		4,287
		1,313		1,473
<u>0</u>	<u>0</u>	<u>1,902</u>	<u>0</u>	<u>5,760</u>
<u>0</u>	<u>9</u>	<u>(418)</u>	<u>1</u>	<u>1,196</u>
(102)	(21)		(1)	(1,510)
(102)	(12)	(418)	0	(314)
102	187	94,072	250	198,138
<u>\$ 0</u>	<u>\$ 175</u>	<u>\$ 93,654</u>	<u>\$ 250</u>	<u>\$ 197,824</u>

STATE OF ALASKA  
 Combining Statement of Cash Flows  
 Commercial Assistance Enterprise Funds  
 For the Fiscal Year Ended June 30, 2007  
 (Stated in Thousands)

STATEMENT 4.13

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$	\$	\$ 102
Receipts of Principal from Loan Recipients	(5)	3	9,972
Receipt of Interest and Fees from Loan Recipients	4	1	4,312
Payments to Loan Recipients			(8,208)
Interfund Services Used	(34)		(3,650)
Other Receipts			11
Net Cash Provided (Used) by Operating Activities	<u>(35)</u>	<u>4</u>	<u>2,539</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers (Out to) Other Funds	(6)	(54)	(1,326)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(6)</u>	<u>(54)</u>	<u>(1,326)</u>
Net Increase (Decrease) in Cash	(41)	(50)	1,213
Cash and Cash Equivalents - Beginning of Year	175	254	34,974
Cash and Cash Equivalents - End of Year	<u>\$ 134</u>	<u>\$ 204</u>	<u>\$ 36,187</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 6	\$ 1	\$ 1,597
Adjustments to Reconcile Operating Income to Net Cash			
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	3		1
Loans, Notes and Bonds Receivable - Net	(3)	3	42
Interest and Dividends Receivable - Net			197
Other Assets			821
Due to Other Funds	(34)		29
Accounts Payable and Accrued Liabilities	(7)		(148)
Net Cash Provided (Used) by Operating Activities	<u>\$ (35)</u>	<u>\$ 4</u>	<u>\$ 2,539</u>
<b>Reconciliation of Cash to the Statement of Net Assets:</b>			
Total Cash and Investments per the Statement of Net Assets	\$ 134	\$ 204	\$ 36,187
Cash, End of Year	<u>\$ 134</u>	<u>\$ 204</u>	<u>\$ 36,187</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Transfers (Out to) Other Funds (Accrual)	(6)	(54)	



STATEMENT 4.13

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 2	\$ 12	\$ 3,897	\$	\$ 102
	9	1,159	1	13,881
		(2,226)		5,486
		(500)		(10,434)
				(4,184)
				11
<u>2</u>	<u>21</u>	<u>2,330</u>	<u>1</u>	<u>4,862</u>
(7)	(46)		(1)	(1,440)
(7)	(46)	0	(1)	(1,440)
(5)	(25)	2,330	0	3,422
107	121	13,196	251	49,078
<u>\$ 102</u>	<u>\$ 96</u>	<u>\$ 15,526</u>	<u>\$ 251</u>	<u>\$ 52,500</u>
\$ 0	\$ 9	\$ (418)	\$ 1	\$ 1,196
				4
2	12	3,055		3,111
		(313)		(116)
				821
		89		84
		(83)		(238)
<u>\$ 2</u>	<u>\$ 21</u>	<u>\$ 2,330</u>	<u>\$ 1</u>	<u>\$ 4,862</u>
\$ 102	\$ 96	\$ 15,526	\$ 251	\$ 52,500
<u>\$ 102</u>	<u>\$ 96</u>	<u>\$ 15,526</u>	<u>\$ 251</u>	<u>\$ 52,500</u>

(102) (21) (589) (1) (773)

STATE OF ALASKA  
Combining Statement of Net Assets  
Energy Assistance Enterprise Funds  
June 30, 2007  
(Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 313	\$ 4	\$ 317
Total Current Assets	313	4	317
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	6		6
Total Noncurrent Assets	6	0	6
Total Assets	319	4	323
<b>LIABILITIES</b>			
Current Liabilities:			
Due to Other Funds	113		113
Total Current Liabilities	113	0	113
Total Liabilities	113	0	113
<b>NET ASSETS</b>			
Unrestricted	206	4	210
Total Net Assets	\$ 206	\$ 4	\$ 210

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2007

(Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
<b>OPERATING REVENUES</b>			
Interest and Investment Income	\$ 64	\$ 1	\$ 65
Total Operating Revenues	<u>64</u>	<u>1</u>	<u>65</u>
<b>OPERATING EXPENSES</b>			
Provision for Loan Losses and Forgiveness	1		1
Total Operating Expenses	<u>1</u>	<u>0</u>	<u>1</u>
Operating Income (Loss)	<u>63</u>	<u>1</u>	<u>64</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Transfers (Out to) Other Funds	(113)		(113)
Change in Net Assets	(50)	1	(49)
Total Net Assets - Beginning of Year	256	3	259
Total Net Assets - End of Year	<u>\$ 206</u>	<u>\$ 4</u>	<u>\$ 210</u>

STATE OF ALASKA  
Combining Statement of Cash Flows  
Energy Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 4.23

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts of Principal from Loan Recipients	\$ 37	\$	\$ 37
Receipt of Interest and Fees from Loan Recipients	26	1	27
Net Cash Provided (Used) by Operating Activities	<u>63</u>	<u>1</u>	<u>64</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers (Out to) Other Funds	(50)		(50)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(50)</u>	<u>0</u>	<u>(50)</u>
Net Increase (Decrease) in Cash	13	1	14
Cash and Cash Equivalents - Beginning of Year	300	3	303
Cash and Cash Equivalents - End of Year	<u>\$ 313</u>	<u>\$ 4</u>	<u>\$ 317</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 63	\$ 1	\$ 64
Net Cash Provided (Used) by Operating Activities	<u>\$ 63</u>	<u>\$ 1</u>	<u>\$ 64</u>
<b>Reconciliation of Cash to the Statement of Net Assets:</b>			
Total Cash and Investments per the Statement of Net Assets	\$ 313	\$ 4	\$ 317
Cash, End of Year	<u>\$ 313</u>	<u>\$ 4</u>	<u>\$ 317</u>
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Transfers (Out to) Other Funds (Accrual)	(113)		(113)



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STATE OF ALASKA  
Combining Statement of Net Assets  
Other Agencies Enterprise Funds  
June 30, 2007  
(Stated in Thousands)

STATEMENT 4.31

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 189	\$ 4,292	\$ 292,881
Accounts Receivable - Net		89	6,352
Interest and Dividends Receivable		125	
Due from Other Funds			
Due from Other Governments			187
Loans, Notes, and Bonds Receivable	6	1,202	
Securities Lending Collateral	38		
Other Current Assets			
Total Current Assets	233	5,708	299,420
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable		8,525	
Repossessed Property		871	
Investment in Projects, Partnerships, or Corporations		6,841	
Other Noncurrent Assets		1,445	
Capital Assets:			
Construction in Progress			
Total Noncurrent Assets	0	17,682	0
Total Assets	233	23,390	299,420
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		66	4,087
Obligations Under Securities Lending	38		
Due to Other Funds		75	1,203
Due to Other Governments			3,081
Claims, Judgements and Compensated Absences		84	
Other Current Liabilities			661
Total Current Liabilities	38	225	9,032
Noncurrent Liabilities:			
Claims, Judgements and Compensated Absences		22	
Other Noncurrent Liabilities		44	
Total Noncurrent Liabilities	0	66	0
Total Liabilities	38	291	9,032
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt			
Restricted for:			
Unemployment Compensation			290,388
Health and Human Services Other Purposes	195		
Unrestricted		23,099	
Total Net Assets	\$ 195	\$ 23,099	\$ 290,388

STATEMENT 4.31

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$ 103,713	\$ 20,482	\$	\$ 421,557
1,118	848		6,441
	28,975		2,091
25	28		28,975
9,418	2,463		240
19,613	3,896		13,089
		9	23,547
		9	9
133,887	56,692	9	495,949
96,116	55,931		160,572
			871
			6,841
		1,045	2,490
		30,909	30,909
96,116	55,931	31,954	201,683
230,003	112,623	31,963	697,632
		779	4,932
19,613	3,896		23,547
29,018		201	30,497
			3,081
			84
5		422	1,088
48,636	3,896	1,402	63,229
			22
29	31	69	173
29	31	69	195
48,665	3,927	1,471	63,424
		30,908	30,908
			290,388
181,338	108,696		290,034
			195
		(416)	22,683
\$ 181,338	\$ 108,696	\$ 30,492	\$ 634,208

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2007

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
<b>OPERATING REVENUES</b>			
Premiums and Contributions	\$	\$	\$ 169,070
Charges for Goods and Services			
Interest and Investment Income		565	
Fines and Forfeitures		5	
Federal Grants in Aid			
Total Operating Revenues	<u>0</u>	<u>570</u>	<u>169,070</u>
<b>OPERATING EXPENSES</b>			
Benefits			122,908
Operating	2	372	
Depreciation		36	
Other Operating Expenses			
Total Operating Expenses	<u>2</u>	<u>408</u>	<u>122,908</u>
Operating Income (Loss)	<u>(2)</u>	<u>162</u>	<u>46,162</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and Investment Income	12	(894)	13,145
Interest and Investment Expense	(2)		
Gain (Loss) on Disposal of Capital Assets		(540)	
Other Nonoperating Revenues (Expenses)		(149)	
Total Nonoperating Revenues (Expenses)	<u>10</u>	<u>(1,583)</u>	<u>13,145</u>
Income Before Capital Contributions and Transfers	8	(1,421)	59,307
Capital Contributions			
Transfers In from Other Funds			
Transfers (Out to) Other Funds		(832)	(2,244)
Change in Net Assets	8	(2,253)	57,063
Total Net Assets - Beginning of Year	187	25,352	233,325
Total Net Assets - End of Year	<u>\$ 195</u>	<u>\$ 23,099</u>	<u>\$ 290,388</u>



STATEMENT 4.32

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$	\$	\$	\$
489	230		169,070
1,041	957		719
			2,563
1			6
279	397		676
1,810	1,584	0	173,034
			122,908
234	290	2,221	3,119
			36
108	117		225
342	407	2,221	126,288
1,468	1,177	(2,221)	46,746
5,919	1,173		19,355
(686)	(138)		(826)
			(540)
		1,275	1,126
5,233	1,035	1,275	19,115
6,701	2,212	(946)	65,861
4,031	8,485	8,088	20,604
(29,000)	29,600	1,071	30,671
(18,268)	40,297	8,213	(32,076)
199,606	68,399	22,279	85,060
\$ 181,338	\$ 108,696	\$ 30,492	\$ 549,148
			\$ 634,208

STATE OF ALASKA  
Combining Statement of Cash Flows  
Other Agencies Enterprise Funds  
For the Fiscal Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 4.33

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Other Governments	\$	\$	\$ 0
Receipts from Customers		1,215	
Receipts of Principal from Loan Recipients	2	1,013	
Receipt of Interest and Fees from Loan Recipients		578	
Receipts from Insured			167,952
Payments to Employees		(389)	
Payments to Suppliers		(1,048)	
Payments to Other Governments			(2,341)
Payments to Loan Recipients		(1,213)	
Claims Paid			(123,450)
Interfund Services Used	(2)		
Other Receipts		2,987	274
Other Payments		(2,108)	0
Net Cash Provided (Used) by Operating Activities	<u>0</u>	<u>1,035</u>	<u>42,435</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Subsidies and Transfers (Out to) Other Funds		(832)	(2,244)
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>(832)</u>	<u>(2,244)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and Construction of Capital Assets			
Federal Grants			
Other Receipts (Payments)			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</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	10		13,145
Net Cash Provided (Used) by Investing Activities	<u>10</u>	<u>0</u>	<u>13,145</u>
Net Increase (Decrease) in Cash	10	203	53,336
Cash and Cash Equivalents - Beginning of Year	179	4,089	239,545
Cash and Cash Equivalents - End of Year	<u>\$ 189</u>	<u>\$ 4,292</u>	<u>\$ 292,881</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (2)	\$ 162	\$ 46,162
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization		36	
Other Reconciling Items		(1,583)	
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net		(75)	(2,260)
Due From Other Funds			
Due From Other Governments			(16)
Loans, Notes and Bonds Receivable - Net	2	605	
Repossessed Property		1,989	
Investment in Projects, Partnerships, or Corporations		918	
Securities Lending Collateral	(3)		
Interest and Dividends Receivable - Net		7	
Other Assets		(1,051)	
Due to Other Funds		20	274
Due to Other Governments			(2,325)
Accounts Payable and Accrued Liabilities		(9)	(113)
Obligations Under Securities Lending	3		
Other Liabilities		16	713
Net Cash Provided (Used) by Operating Activities	<u>\$ 0</u>	<u>\$ 1,035</u>	<u>\$ 42,435</u>
<b>Reconciliation of Cash to the Statement of Net Assets:</b>			
Total Cash and Investments per the Statement of Net Assets	\$ 189	\$ 4,292	\$ 292,881
Cash, End of Year	<u>\$ 189</u>	<u>\$ 4,292</u>	<u>\$ 292,881</u>

STATEMENT 4.33

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$ 277	\$ 400	\$	\$ 677
			1,215
13,918	3,521		18,454
2,010	952		3,540
			167,952
(242)	(280)	(396)	(1,307)
(103)	(117)	(385)	(1,653)
		(604)	(2,945)
(11,835)	(11,129)		(24,177)
			(123,450)
			(2)
89	112		3,462
			(2,108)
4,114	(6,541)	(1,385)	39,658
			(3,076)
	600	172	772
4,031	8,485	507	13,023
1,039	1,046	706	2,791
(1,039)	(1,046)		(2,085)
(1)	(2)		(3)
4,030	9,083	1,385	11,422
			(9,389)
		(9,389)	(9,389)
		9,879	9,879
		(490)	(490)
0	0	0	0
			830
692	137		(820)
(684)	(135)		19,418
5,227	1,036		19,428
5,235	1,038	0	70,508
13,379	3,580	0	351,049
90,334	16,902	0	
\$ 103,713	\$ 20,482	\$ 0	\$ 421,557
			36
			(1,583)
			(2,335)
48	62	336	446
(2)	(3)		(21)
2,401	(7,837)		(4,829)
			1,989
			918
(2,122)	(623)		(2,748)
168	50		225
		9	(1,042)
18		335	647
			(2,325)
		150	28
2,122	623		2,748
13	10	6	758
4,114	(6,541)	(1,385)	39,658
\$ 103,713	\$ 20,482	\$ 0	\$ 421,557
\$ 103,713	\$ 20,482	\$ 0	\$ 421,557



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# Internal Service Funds

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Internal service funds account for the operations of state agencies that 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.
- **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 22652)** – 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, 2007  
(Stated in Thousands)

STATEMENT 4.41

	Group Health and Life Benefits	Alaska Public Building
<b>ASSETS</b>		
Current Assets:		
Cash and Investments	\$ 47,397	\$ 11,231
Accounts Receivable - Net	481	
Due from Other Funds		
Due from Component Units		275
Inventories		
Securities Lending Collateral	9,438	
Other Current Assets		
Total Current Assets	57,316	11,506
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation		
Buildings, Net of Depreciation		46,886
Construction in Progress		
Total Noncurrent Assets	0	46,886
Total Assets	57,316	58,392
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,053	876
Obligations Under Securities Lending	9,438	
Due to Other Funds	276	11
Claims, Judgments, and Compensated Absences	17	37
Notes, Bonds, and Leases Payable		
Total Current Liabilities	22,784	924
Noncurrent Liabilities:		
Claims, Judgements, and Compensated Absences		
Notes, Bonds, and Leases Payable		
Other Noncurrent Liabilities		111
Total Noncurrent Liabilities	0	111
Total Liabilities	22,784	1,035
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		46,886
Unrestricted	34,532	10,471
Total Net Assets	\$ 34,532	\$ 57,357

STATEMENT 4.41

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 39,521	\$ 3,051	\$ 101,200
8	219	708
941	3,400	4,341
		275
	2,796	2,796
		9,438
665		665
41,135	9,466	119,423
14,107	104,367	118,474
	148	47,034
15,441		15,441
29,548	104,515	180,949
70,683	113,981	300,372
3,503	1,063	18,495
		9,438
		287
979	1,256	2,289
146	781	927
4,628	3,100	31,436
167	494	661
	3,848	3,848
1,132	1,554	2,797
1,299	5,896	7,306
5,927	8,996	38,742
29,401	100,667	176,954
35,355	4,318	84,676
\$ 64,756	\$ 104,985	\$ 261,630

## STATE OF ALASKA

## STATEMENT 4.42

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

## Internal Service Funds

For the Fiscal Year Ended June 30, 2007

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
<b>OPERATING REVENUES</b>		
Premiums and Contributions	\$ 70,023	\$
Charges for Goods and Services		9,489
Other Operating Revenues	1,170	8
Total Operating Revenues	<u>71,193</u>	<u>9,497</u>
<b>OPERATING EXPENSES</b>		
Benefits	61,859	
Operating	3,273	8,027
Depreciation		2,492
Total Operating Expenses	<u>65,132</u>	<u>10,519</u>
Operating Income (Loss)	<u>6,061</u>	<u>(1,022)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Income	2,713	36
Interest and Investment Expense	(329)	
Gain (Loss) on Disposal of Capital Assets		
Other Nonoperating Revenues (Expenses)		
Total Nonoperating Revenues (Expenses)	<u>2,384</u>	<u>36</u>
Income Before Capital Contributions and Transfers	8,445	(986)
Capital Contributions		8,632
Transfers In from Other Funds		6,360
Change in Net Assets	8,445	14,006
Total Net Assets - Beginning of Year	26,087	43,351
Total Net Assets - End of Year	<u>\$ 34,532</u>	<u>\$ 57,357</u>



**STATEMENT 4.42**

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 32,756	\$ 38,483	\$ 70,023
		80,728
		1,178
<u>32,756</u>	<u>38,483</u>	<u>151,929</u>
		61,859
32,325	24,651	68,276
2,898	12,678	18,068
<u>35,223</u>	<u>37,329</u>	<u>148,203</u>
<u>(2,467)</u>	<u>1,154</u>	<u>3,726</u>
		2,749
(11)	(50)	(390)
	(1,249)	(1,249)
(183)	115	(68)
<u>(194)</u>	<u>(1,184)</u>	<u>1,042</u>
(2,661)	(30)	4,768
	9,097	17,729
<u>29,098</u>	<u>9,067</u>	<u>35,458</u>
26,437	95,918	57,955
38,319	203,675	203,675
<u>\$ 64,756</u>	<u>\$ 104,985</u>	<u>\$ 261,630</u>

STATE OF ALASKA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 4.43

	Group Health and Life Benefits	Alaska Public Building
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Other Governments	\$	\$
Receipts from Customers		9,518
Receipts from Insured	69,992	
Payments to Employees	(186)	(985)
Payments to Suppliers	(2,509)	(6,878)
Claims Paid	(59,540)	
Other Receipts	1,010	8
Other Payments		
Net Cash Provided (Used) by Operating Activities	8,767	1,663
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Operating Subsidies and Transfers (Out to) Other Funds		(544)
Operating Subsidies and Transfers In from Other Funds		6,360
Net Cash Provided (Used) by Noncapital Financing Activities	0	5,816
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Capital Assets		
Acquisition and Construction of Capital Assets		(2,630)
Proceeds from Capital Debt		
Principal Paid on Capital Debt		
Interest and Fees Paid on Capital Debt		
Other Receipts (Payments)		
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(2,630)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and Dividends on Investments	2,385	36
Net Cash Provided (Used) by Investing Activities	2,385	36
Net Increase (Decrease) in Cash	11,152	4,885
Cash and Cash Equivalents - Beginning of Year	36,245	6,346
Cash and Cash Equivalents - End of Year	\$ 47,397	\$ 11,231
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 6,061	\$ (1,022)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization		2,492
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(191)	
Due From Other Funds	34	
Due From Component Units		36
Inventories		
Other Assets		6
Due to Other Funds	275	
Accounts Payable and Accrued Liabilities	2,588	112
Other Liabilities		39
Net Cash Provided (Used) by Operating Activities	\$ 8,767	\$ 1,663
<b>Reconciliation of Cash to the Statement of Net Assets:</b>		
Total Cash and Investments per the Statement of Net Assets	\$ 47,397	\$ 11,231
Cash, End of Year	\$ 47,397	\$ 11,231
<b>Noncash Investing, Capital, and Financing Activities:</b>		
Contributed Capital Assets		8,632

STATEMENT 4.43

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 185	\$	\$ 185
35,104	38,404	83,026
		69,992
(10,076)	(13,244)	(24,491)
(21,034)	(8,704)	(39,125)
		(59,540)
		1,018
	(2,270)	(2,270)
4,179	14,186	28,795
		(544)
29,098		35,458
29,098	0	34,914
	1,094	1,094
(16,027)	(26,103)	(44,760)
	4,629	4,629
(362)		(362)
(11)	(50)	(61)
	115	115
(16,400)	(20,315)	(39,345)
		2,421
0	0	2,421
16,877	(6,129)	26,785
22,644	9,180	74,415
\$ 39,521	\$ 3,051	\$ 101,200
\$ (2,467)	\$ 1,154	\$ 3,726
2,898	12,678	18,068
(3)	(79)	(273)
2,537		2,571
		36
	(55)	(55)
232		238
		275
(294)	52	2,458
1,276	436	1,751
\$ 4,179	\$ 14,186	\$ 28,795
\$ 39,521	\$ 3,051	\$ 101,200
\$ 39,521	\$ 3,051	\$ 101,200
	9,097	17,729



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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 39.35.003 – 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.
- **Public Employees' and Teachers' Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan (Fund 11190)** – AS 39.35.870, 14.25.470, and 39.30.300 – Administered by the Department of Administration. The Retiree Major Medical Insurance Plan consists of accumulated assets held for the purpose of providing major medical benefits to eligible benefit recipients of the Retirement Systems and their dependents. The Health Reimbursement Arrangement Plan consists of individual savings accounts established for eligible persons held for the purpose of paying or reimbursing medical care expenses.
- **Retiree Health (Fund 11159)** – AS 39.37.010, AS 22.25.048, AS 39.35.003, 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, 2007  
(Stated in Thousands)

STATEMENT 5.01

	Retiree Health	PERS/TRS Retiree Major Medical Insurance and Health Reimbursement Arrangement Employee Benefit Trust	Deferred Compensation
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 116,312	\$ 361	\$ 8,089
Investments:			
Short-Term Investments	8,089		2,694
Commercial Paper	1,734		
U.S. Treasury	16,396		
U.S. Government Agency	2,706		3,712
Municipal Bonds			
Foreign Government Bonds			
Mortgage-Backed	69,343		36,113
Other Asset-Backed	15,451		27,928
Corporate Bonds	28,324		37,944
Yankees	4,227		6,589
Fixed Income Pool			
Domestic Equity Pool	104,336		
International Equity Pool	43,876		
Emerging Markets Equity Pool			
Private Equity Pool			
Absolute Return Pool			
Other Investment Pool			
Real Estate Pool			
Participant-Directed			389,756
Other Net Investments	(24,401)	4,340	9,547
Investment Loss Trust Fund Assets			
Accounts Receivable - Net	5,128		
Contributions Receivable	152	297	1,950
Interest and Dividends Receivable	412		
Securities Lending Collateral	14,346		
Due from Other Funds		156	
Other Assets			
Total Assets	<u>406,431</u>	<u>5,154</u>	<u>524,322</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	57,788		
Obligations Under Securities Lending	14,346		
Due to Other Funds	1,498		
Total Liabilities	<u>73,632</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS</b>			
Held in Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	332,799	5,154	
Individuals, Organizations, and Other Governments			524,322
Total Net Assets	<u>\$ 332,799</u>	<u>\$ 5,154</u>	<u>\$ 524,322</u>



## STATEMENT 5.01

Supplemental Benefits	Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 7,478	\$ 21,398	\$ 12,002	\$ 194	\$ 13	\$ 165,847
23,030	13,359	5,958	572	58	53,760
54,806	5,657	2,528	43	12	64,780
211,624	306,640	137,432	6,175	1,608	679,875
122,913	133,448	59,811	868	697	324,155
	1,269	569	8	7	1,853
	121,311	54,125	900		176,336
253,012	1,092,721	489,749	7,113	5,712	1,953,763
23,320	126,296	56,604	823	658	251,080
240,692	583,278	257,842	4,079	1,843	1,154,002
37,564	65,067	29,131	507	261	143,346
	1,647	724	13		2,384
549,711	3,951,204	1,763,111	35,128	5,221	6,408,711
28,243	1,848,823	824,994	17,129	2,157	2,765,222
	283,930	126,711	2,279		412,920
	729,613	327,144			1,056,757
	423,103	188,766	3,676		615,545
	426,073	190,696	2,466	1,632	620,867
	1,186,596	534,953	11,399		1,732,948
623,347	7,348	5,124			1,025,575
10,477	(409,019)	(180,245)	(2,580)	(2,176)	(594,057)
1,767					1,767
		6			5,134
5,933	18,647	9,294	176		36,449
					412
	1,191,168	531,810	10,729	1,804	1,749,857
	7,692	4,743			12,591
	4	27			31
2,193,917	12,137,273	5,433,609	101,697	19,507	20,821,910
3,301	7,359	3,178	44	76	71,746
	1,191,168	531,810	10,729	1,804	1,749,857
	12		4	13	1,527
3,301	1,198,539	534,988	10,777	1,893	1,823,130
	7,447,971	3,812,001	86,917	17,614	11,364,503
	3,490,763	1,086,620	4,003		4,919,339
2,190,616					2,714,938
\$ 2,190,616	\$ 10,938,734	\$ 4,898,621	\$ 90,920	\$ 17,614	\$ 18,998,780

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, 2007**  
**(Stated in Thousands)**

STATEMENT 5.02

	Retiree Health	PERS/TRS Retiree Major Medical Insurance and Health Reimbursement Arrangement Employee Benefit Trust	Deferred Compensation
<b>ADDITIONS</b>			
Premiums and Contributions:			
Employer	\$ 322,313	\$ 5,016	\$
Member	41,794		35,764
Other	7,725		
Total Premiums and Contributions	<u>371,832</u>	<u>5,016</u>	<u>35,764</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair			
Value of Investments	21,568	124	47,214
Interest	12,326	11	5,687
Dividends	2,578	3	
Total Investment Income	36,472	138	52,901
Less Investment Expense	145		
Net Investment Income	<u>36,327</u>	<u>138</u>	<u>52,901</u>
Other Additions	37		
Total Additions	<u>408,196</u>	<u>5,154</u>	<u>88,665</u>
<b>DEDUCTIONS</b>			
Benefits Paid	301,286		40,552
Insurance Premiums			
Refunds of Premiums and Contributions			
Administrative Expenses	12,961		737
Total Deductions	<u>314,247</u>	<u>0</u>	<u>41,289</u>
Net Increase (Decrease) in Net Assets Held in			
Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	93,949	5,154	
Individuals, Organizations, and Other Governments			47,376
Net Assets - Beginning of the Year	238,850	0	476,946
Net Assets - End of the Year	<u>\$ 332,799</u>	<u>\$ 5,154</u>	<u>\$ 524,322</u>

## STATEMENT 5.02

Supplemental Benefits	Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 58,818	\$ 357,472	\$ 156,083	\$ 3,656	\$ 1,737	\$ 905,095
65,636	126,278	58,516	477		328,465
					7,725
<u>124,454</u>	<u>483,750</u>	<u>214,599</u>	<u>4,133</u>	<u>1,737</u>	<u>1,241,285</u>
173,615	1,388,441	626,375	11,690	1,509	2,270,536
6,094	127,278	57,238	878	528	210,040
	235,862	106,493	1,803	178	346,917
179,709	1,751,581	790,106	14,371	2,215	2,827,493
	22,465	10,529	182	24	33,345
<u>179,709</u>	<u>1,729,116</u>	<u>779,577</u>	<u>14,189</u>	<u>2,191</u>	<u>2,794,148</u>
	2,725	1,207	25	4	3,998
<u>304,163</u>	<u>2,215,591</u>	<u>995,383</u>	<u>18,347</u>	<u>3,932</u>	<u>4,039,431</u>
143,735	635,098	389,768	7,061	1,755	1,519,255
4,897					4,897
	14,953	4,555			19,508
2,732	6,277	2,410	76	150	25,343
<u>151,364</u>	<u>656,328</u>	<u>396,733</u>	<u>7,137</u>	<u>1,905</u>	<u>1,569,003</u>
	879,821	389,078	9,606	2,027	1,280,532
	679,442	209,572	1,604		989,721
152,799					200,175
<u>2,037,817</u>	<u>9,379,471</u>	<u>4,299,971</u>	<u>79,710</u>	<u>15,587</u>	<u>16,528,352</u>
<u>\$ 2,190,616</u>	<u>\$ 10,938,734</u>	<u>\$ 4,898,621</u>	<u>\$ 90,920</u>	<u>\$ 17,614</u>	<u>\$ 18,998,780</u>

STATE OF ALASKA  
 Combining Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2007  
 (Stated in Thousands)

STATEMENT 5.11

	Deposits, Suspense, and Miscellaneous	Wage and Hour
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 79,946	\$ 125
Investments		
Accounts Receivable - Net	3	
Due from Other Funds	2,436	
Total Assets	<u>\$ 82,385</u>	<u>\$ 125</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 3,054	\$ 7
Trust Deposits Payable	79,331	118
Due to Other Funds		
Total Liabilities	<u>\$ 82,385</u>	<u>\$ 125</u>

STATEMENT 5.11

Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
\$ 9,950	\$ 210,786	\$	\$ 90,021
			210,786
			3
			2,436
<u>\$ 9,950</u>	<u>\$ 210,786</u>	<u>\$ 0</u>	<u>\$ 303,246</u>
\$ 9,950	\$ 210,730	\$	\$ 3,061
			300,129
			56
			56
<u>\$ 9,950</u>	<u>\$ 210,786</u>	<u>\$ 0</u>	<u>\$ 303,246</u>

STATE OF ALASKA  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2007  
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 109,211	\$ 80,148	\$ 109,413	\$ 79,946
Accounts Receivable - Net	10	3	10	3
Due from Other Funds	2,052	2,436	2,052	2,436
Total Assets	<u>\$ 111,273</u>	<u>\$ 82,587</u>	<u>\$ 111,475</u>	<u>\$ 82,385</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 2,828	\$ 33,036	\$ 32,810	\$ 3,054
Trust Deposits Payable	108,445	78,902	108,016	79,331
Total Liabilities	<u>\$ 111,273</u>	<u>\$ 111,938</u>	<u>\$ 140,826</u>	<u>\$ 82,385</u>
<u>WAGE AND HOUR</u>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 75	\$ 175	\$ 125	\$ 125
Total Assets	<u>\$ 75</u>	<u>\$ 175</u>	<u>\$ 125</u>	<u>\$ 125</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 9	\$ 128	\$ 130	\$ 7
Trust Deposits Payable	66	181	129	118
Total Liabilities	<u>\$ 75</u>	<u>\$ 309</u>	<u>\$ 259</u>	<u>\$ 125</u>
<u>PUBLIC ADVOCACY</u>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 8,700	\$ 16,319	\$ 15,069	\$ 9,950
Total Assets	<u>\$ 8,700</u>	<u>\$ 16,319</u>	<u>\$ 15,069</u>	<u>\$ 9,950</u>
<b>LIABILITIES</b>				
Trust Deposits Payable	\$ 8,700	\$ 5,444	\$ 4,194	\$ 9,950
Total Liabilities	<u>\$ 8,700</u>	<u>\$ 5,444</u>	<u>\$ 4,194</u>	<u>\$ 9,950</u>
<u>EXXON VALDEZ OIL SPILL INVESTMENT</u>				
<b>ASSETS</b>				
Investments	\$ 189,035	\$ 33,888	\$ 12,137	\$ 210,786
Total Assets	<u>\$ 189,035</u>	<u>\$ 33,888</u>	<u>\$ 12,137</u>	<u>\$ 210,786</u>
<b>LIABILITIES</b>				
Trust Deposits Payable	\$ 188,866	\$ 33,832	\$ 11,968	\$ 210,730
Due to Other Funds	169	56	169	56
Total Liabilities	<u>\$ 189,035</u>	<u>\$ 33,888</u>	<u>\$ 12,137</u>	<u>\$ 210,786</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, 2007  
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>IMPACT AID PL 103-382</u>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 0	\$ 26,839	\$ 26,839	\$ 0
Total Assets	<u>\$ 0</u>	<u>\$ 26,839</u>	<u>\$ 26,839</u>	<u>\$ 0</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 0	\$ 526	\$ 526	\$ 0
Trust Deposits Payable	0	26,839	26,839	0
Total Liabilities	<u>\$ 0</u>	<u>\$ 27,365</u>	<u>\$ 27,365</u>	<u>\$ 0</u>
<u>TOTAL AGENCY FUNDS</u>				
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 117,986	\$ 123,481	\$ 151,446	\$ 90,021
Investments	189,035	33,888	12,137	210,786
Accounts Receivable - Net	10	3	10	3
Due from Other Funds	2,052	2,436	2,052	2,436
Total Assets	<u>\$ 309,083</u>	<u>\$ 159,808</u>	<u>\$ 165,645</u>	<u>\$ 303,246</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 2,837	\$ 33,690	\$ 33,466	\$ 3,061
Trust Deposits Payable	306,077	145,198	151,146	300,129
Due to Other Funds	169	56	169	56
Total Liabilities	<u>\$ 309,083</u>	<u>\$ 178,944</u>	<u>\$ 184,781</u>	<u>\$ 303,246</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 Basic Financial Statements, Note 1A.



STATE OF ALASKA  
Combining Statement of Net Assets  
Nonmajor Component Units  
June 30, 2007  
(Stated in Thousands)

STATEMENT 6.01

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
<b>ASSETS</b>			
Cash and Investments	\$ 54,736	\$ 72,648	\$ 13,263
Accounts Receivable - Net			30,666
Interest and Dividends Receivable	4,026	156	
Due from Primary Government			
Due from Component Units			
Due from Other Governments			
Loans, Notes, and Bonds Receivable	452,118		
Inventories			15,591
Securities Lending Collateral		6,121	
Restricted Assets		971,736	60,542
Other Assets		33	2,156
Capital Assets:			
Equipment, Net of Depreciation			86,959
Buildings, Net of Depreciation			2,022
Infrastructure, Net of Depreciation			245,357
Land			19,599
Construction in Progress			238,091
Total Assets	<u>510,880</u>	<u>1,050,694</u>	<u>714,246</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	241	907	24,874
Obligations Under Securities Lending		6,121	
Due to Primary Government	459	68,951	
Due to Component Units			
Interest Payable	3,746	9,386	
Other Current Liabilities			
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgments, and Compensated Absences			
Unearned and Deferred Revenue	1,701	2,844	5,863
Notes, Bonds, and Leases Payable	26,410	92,380	3,585
Other Long-term Debt	6,200		
Portion Due or Payable After One Year:			
Claims, Judgements, and Compensated Absences			
Unearned and Deferred Revenue			383,997
Notes, Bonds, and Leases Payable	427,520	686,855	111,713
Other Long-term Debt	4,806		
Other Noncurrent Liabilities		2,079	646
Total Liabilities	<u>471,083</u>	<u>869,523</u>	<u>530,678</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt			157,685
Restricted for:			
Permanent Funds Nonexpendable			
Expendable			
Education		147,825	
Debt Service	29,044		
Other Purposes			25,883
Unrestricted	10,753	33,346	
Total Net Assets	<u>\$ 39,797</u>	<u>\$ 181,171</u>	<u>\$ 183,568</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
\$ 485,288	\$ 17,442	\$ 521,234	\$	\$ 1,164,611
409		23		31,098
1,434		4,507		10,123
			572	572
31				31
3,072	2,060			5,132
25,921		4,800		482,839
	395			15,986
15,687		63,950		85,758
				1,032,278
		10		2,199
	28,510	180		115,649
	31,743	2,844		36,609
259,816	26,393			531,566
		2,223		21,822
	1,485	69	2,091	241,736
791,658	108,028	599,840	2,663	3,778,009
9,432	1,502	20,712		57,668
15,687		63,950		85,758
64		903		70,377
1,689				1,689
3,232				16,364
		783		783
	563	338		901
8,254		278		18,940
5,810				128,185
				6,200
			35	35
	11,675			395,672
117,147				1,343,235
984				5,790
103	583	203	29	3,643
162,402	14,323	87,167	64	2,135,240
136,860	88,131	5,316	2,091	390,083
		385,654		385,654
		121,703		121,703
				147,825
19,353				48,397
22,891				48,774
450,152	5,574		508	500,333
\$ 629,256	\$ 93,705	\$ 512,673	\$ 2,599	\$ 1,642,769

STATE OF ALASKA  
 Combining Statement of Activities  
 Nonmajor Component Units  
 For the Fiscal Year Ended June 30, 2007  
 (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	\$ 20,978	\$	\$	\$
Alaska Student Loan Corporation	50,470	40,322		
Alaska Railroad Corporation	136,522	126,424	7,752	13,547
Alaska Energy Authority	73,792	18,680	36,420	
Alaska Aerospace Development Corporation	24,529	20,465		13,467
Alaska Mental Health Trust Authority	18,599	11,205	47,423	23,495
Alaska Natural Gas Development Authority	584			
Total Nonmajor Component Units	<u>\$ 325,474</u>	<u>\$ 217,096</u>	<u>\$ 91,595</u>	<u>\$ 50,509</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 Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Total Nonmajor Component Units
\$ (20,978)	\$ (10,148)	\$	\$	\$	\$	\$	\$ (20,978)
		11,201					(10,148)
			(18,692)				11,201
				9,403			(18,692)
							9,403
					63,524		63,524
						(584)	(584)
(20,978)	(10,148)	11,201	(18,692)	9,403	63,524	(584)	33,726
22,223	20,915	1,188	50,105	259			94,690
			182,700			300	183,000
22,223	20,915	1,188	232,805	259	0	300	277,690
1,245	10,767	12,389	214,113	9,662	63,524	(284)	311,416
38,552	170,404	171,179	415,143	84,043	449,149	1,372	1,329,842
						1,511	1,511
\$ 39,797	\$ 181,171	\$ 183,568	\$ 629,256	\$ 93,705	\$ 512,673	\$ 2,599	\$ 1,642,769



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# Statistical Section

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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2007**

**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.

	<b><u>Page</u></b>
<b>Financial Trends</b> (Schedules A-1 through A-5) <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>	233
<b>Revenue Capacity</b> (Schedules B-1 through B-3) <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>	240
<b>Debt Capacity</b> (Schedules C-1 and C-2) <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>	244
<b>Demographic and Economic Information</b> (Schedules D-1 and D-2) <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>	247
<b>Operating Information</b> (Schedules E-1 through E-3) <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>	249

**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 Six Fiscal Years**  
**(Stated in Thousands)**

SCHEDULE A-1

	2007	2006	2005	2004	2003	2002
<b>Governmental Activities:</b>						
Invested in Capital Assets,						
Net of Related Debt	\$ 4,968,171	\$ 4,721,066	\$ 4,654,684	\$ 3,921,815	\$ 3,724,321	\$ 3,353,079
Restricted <sup>a</sup>	34,200,958	30,772,290	28,935,899	26,929,079	24,473,141	22,207,101
Unrestricted	11,425,419	7,539,120	5,185,548	4,066,781	3,450,742	5,469,850
Total Governmental Activities Net Assets	<u>50,594,548</u>	<u>43,032,476</u>	<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	596,997	535,585	483,883	451,273	415,389	370,663
Restricted	614,880	527,509	467,604	429,600	411,446	417,609
Unrestricted	330,553	340,555	341,845	308,232	300,705	311,662
Total Business-type Activities Net Assets	<u>1,542,430</u>	<u>1,403,649</u>	<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	5,565,168	5,256,651	5,138,567	4,373,088	4,139,710	3,723,742
Restricted	34,815,838	31,299,799	29,403,503	27,358,679	24,884,587	22,624,710
Unrestricted	11,755,972	7,879,675	5,527,393	4,375,013	3,751,447	5,781,512
Total Primary Government Net Assets	<u>\$ 52,136,978</u>	<u>\$ 44,436,125</u>	<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.

<sup>a</sup>The majority of the amount reported as Restricted Net Assets for Governmental Activities represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

STATE OF ALASKA  
**Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue**  
**Last Six Fiscal Years**  
**(Stated in Thousands)**

SCHEDULE A-2

	2007	2006	2005	2004	2003	2002
<b>Program Revenues</b>						
Governmental Activities:						
Charges for Services						
General Government	\$ 11,058	\$ 13,908	\$ 20,448	\$ 13,048	\$ 16,142	\$ 16,465
Education	2,689	2,895	2,477	2,329	937	2,738
Health and Human Services	39,144	29,774	30,754	23,086	23,277	19,329
Law and Justice	12,142	9,736	10,959	8,625	6,201	9,528
Public Protection	172,762	138,192	134,817	134,087	103,586	93,737
Natural Resources	2,207,217	2,460,023	1,967,523	1,446,144	1,299,097	906,477
Development	15,669	6,840	4,744	3,719	34,895	2,829
Transportation	68,042	63,257	48,506	46,774	44,882	40,456
Operating Grants and Contributions	1,463,791	1,460,145	1,400,904	1,422,265	1,303,282	1,111,681
Capital Grants and Contributions	632,829	618,554	642,311	624,835	611,414	502,703
Total Governmental Activities Program Revenues	<u>4,625,343</u>	<u>4,803,324</u>	<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	9,655	9,116	10,006	10,333	13,598	9,434
Unemployment Compensation	169,070	168,942	148,354	160,762	156,459	135,097
Airports	115,490	103,999	99,375	76,467	76,753	67,936
Operating Grants and Contributions	16,400	19,262	17,485	13,329	18,177	33,128
Capital Grants and Contributions	79,588	73,570	84,249	79,715	52,859	36,642
Total Business-type Activities Program Revenues	<u>390,203</u>	<u>374,889</u>	<u>359,469</u>	<u>340,606</u>	<u>317,846</u>	<u>282,237</u>
Total Primary Government Program Revenues	<u>\$ 5,015,546</u>	<u>\$ 5,178,213</u>	<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	\$ 326,205	\$ 292,265	\$ 254,680	\$ 227,516	\$ 278,972	\$ 414,344
Alaska Permanent Fund Dividend <sup>a</sup>	658,294	505,093	552,232	660,471	908,676	1,086,362
Education	1,364,756	1,251,111	1,143,197	1,072,194	951,790	939,988
University	319,963	271,687	244,927	246,101	226,729	208,322
Health and Human Services	1,827,623	1,768,611	1,832,252	1,661,454	1,553,612	1,406,064
Law and Justice	180,837	175,878	147,606	131,179	130,408	118,928
Public Protection	557,792	535,877	517,875	420,476	458,200	413,305
Natural Resources	286,236	263,777	242,610	225,167	206,161	194,377
Development	430,096	477,249	129,518	128,254	142,934	126,427
Transportation	812,686	711,351	762,514	392,737	418,463	406,543
Intergovernmental Revenue Sharing	62,082	57,598	43,039	52,303	65,364	65,241
Debt Service	40,555	32,152	32,153	32,763	19,903	16,564
Total Governmental Activities Expenses	<u>6,867,125</u>	<u>6,342,649</u>	<u>5,902,603</u>	<u>5,250,615</u>	<u>5,361,212</u>	<u>5,396,465</u>
Business-type Activities:						
Loans	9,561	12,285	9,304	4,980	8,799	16,540
Unemployment Compensation	122,908	130,487	147,687	185,342	191,598	150,176
Airports	129,074	120,879	99,350	81,475	77,892	68,884
Development	2,221	598	155	77	-	-
Total Business-type Activities Expenses	<u>263,764</u>	<u>264,249</u>	<u>256,496</u>	<u>271,874</u>	<u>278,289</u>	<u>235,600</u>
Total Primary Government Expenses	<u>\$ 7,130,889</u>	<u>\$ 6,606,898</u>	<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	\$ (2,241,782)	\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
Business-type Activities	126,439	110,640	102,973	68,732	39,557	46,637
Total Primary Government Net Expense	<u>\$ (2,115,343)</u>	<u>\$ (1,428,685)</u>	<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 Six Fiscal Years

(Stated in Thousands)

	2007	2006	2005	2004	2003	2002
<b>Net (Expense)/Revenue (From Schedule A-2)</b>						
Governmental Activities	\$ (2,241,782)	\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
Business-type Activities	126,439	110,640	102,973	68,732	39,557	46,637
Total Primary Government Net Expense	<u>\$ (2,115,343)</u>	<u>\$ (1,428,685)</u>	<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	\$ 2,256,299	\$ 1,332,880	\$ 965,431	\$ 697,394	\$ 640,856	\$ 549,848
Selective Sales/Use	233,788	196,605	186,354	180,354	156,693	139,531
Income Taxes	812,652	821,664	588,694	339,270	207,075	269,273
Property Taxes	65,692	54,508	42,912	47,416	48,741	49,641
Other Taxes	9,495	11,865	10,743	10,979	9,421	11,585
Interest and Investment Earnings	5,968,976	3,312,907	2,840,596	3,561,847	1,205,191	(371,614)
Tobacco Settlement	21,247	19,975	21,759	21,439	25,054	134,925
Payments In from Component Units	400,382	104,556	121,312	58,846	80,728	63,474
Other Revenues	32,295	60,857	19,294	60,781	7,618	24,280
Transfers - Internal Activity	3,028	4,894	4,968	4,306	2,830	1,539
Special Items	-	-	-	4,829	127,413	-
Prior Period Adjustments and Restatements	0	(125,041)	695,553	(192,287)	24,053	35,955,420
Total Governmental Activities General Revenues and Other Changes in Net Assets	<u>9,803,854</u>	<u>5,795,670</u>	<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	14,155	2,935	5,154	1,067	6,567	6,449
Other Revenues	1,215	1,393	1,356	-	419	546
Payments In from Component Units	-	-	-	-	-	652
Transfers - Internal Activity	(3,028)	(4,894)	(4,968)	(4,306)	(2,830)	(1,539)
Special Items	-	-	-	-	(5,453)	-
Prior Period Adjustments and Restatements	0	243	(288)	(3,928)	(10,654)	(1,018)
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>12,342</u>	<u>(323)</u>	<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>\$ 9,816,196</u>	<u>\$ 5,795,347</u>	<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	\$ 7,562,072	\$ 4,256,345	\$ 3,858,456	\$ 3,269,471	\$ 618,174	\$ 34,137,380
Business-type Activities	138,781	110,317	104,227	61,565	27,606	51,727
Total Primary Government Changes in Net Assets	<u>\$ 7,700,853</u>	<u>\$ 4,366,662</u>	<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

	2007	2006	2005	2004	2003
<b>General Fund:</b>					
Reserved <sup>a</sup>	\$ 5,388,823	\$ 5,447,085	\$ 5,367,346	\$ 5,369,520	\$ 5,400,958
Unreserved	2,249,074	(123,785)	(1,297,611)	(1,929,657)	(1,850,881)
Total General Fund	<u>\$ 7,637,897</u>	<u>\$ 5,323,300</u>	<u>\$ 4,069,735</u>	<u>\$ 3,439,863</u>	<u>\$ 3,550,077</u>
<b>All Other Governmental Funds:</b>					
Reserved <sup>b</sup>	\$ 34,155,999	\$ 30,788,066	\$ 29,015,791	\$ 27,068,135	\$ 24,464,472
Unreserved, reported in:					
Permanent funds	4,144,850	2,594,854	1,449,370	869,711	114,139
Special revenue funds	381,225	51,662	75,991	47,841	78,987
Capital projects funds	116,074	140,606	126,963	227,982	438,606
Total All Other Governmental Funds	<u>\$ 38,798,148</u>	<u>\$ 33,575,188</u>	<u>\$ 30,668,115</u>	<u>\$ 28,213,669</u>	<u>\$ 25,096,204</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

2002	2001	2000	1999	1998
\$ 4,819,136	\$ 192,610	\$ 187,278	\$ 369,214	\$ 388,520
(701,741)	(3,368,474)	(3,341,562)	(3,071,768)	(1,991,648)
<u>\$ 4,117,395</u>	<u>\$ (3,175,864)</u>	<u>\$ (3,154,284)</u>	<u>\$ (2,702,554)</u>	<u>\$ (1,603,128)</u>
\$ 22,191,935	\$ 45,343	\$ 31,380	\$ 5,506	\$ 4,462
1,658,082	-	-	-	-
46,919	23,171	23,163	31,613	28,535
-	-	102	102	674
<u>\$ 23,896,936</u>	<u>\$ 68,514</u>	<u>\$ 54,645</u>	<u>\$ 37,221</u>	<u>\$ 33,671</u>

STATE OF ALASKA  
**Financial Trends - Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

SCHEDULE A-5

	2007	2006	2005	2004	2003
<b>Revenues</b>					
Taxes	\$ 3,462,462	\$ 2,361,263	\$ 1,764,465	\$ 1,275,413	\$ 1,062,786
Licenses and Permits	142,204	129,604	122,888	116,164	100,814
Charges for Services	180,695	159,410	152,992	184,178	167,505
Fines and Forfeitures	32,367	10,441	11,030	17,598	10,477
Rents and Royalties	2,162,495	2,418,169	1,957,615	1,428,982	1,286,742
Premiums and Contributions	16,369	17,906	17,153	17,984	29,809
Interest and Investment Income	6,023,532	3,339,127	2,874,284	3,586,212	1,224,015
Federal Grants in Aid	2,021,414	1,997,567	1,951,921	1,941,037	1,769,144
Payments in from Component Units <sup>d</sup>	400,382	104,555	121,312	58,846	80,728
Other Revenues	31,349	74,163	30,957	32,363	37,809
<b>Total Revenues</b>	<b>14,473,269</b>	<b>10,612,205</b>	<b>9,004,617</b>	<b>8,658,777</b>	<b>5,769,829</b>
<b>Expenditures</b>					
General Government	346,530	294,151	261,596	257,207	278,604
Alaska Permanent Fund Dividend <sup>a</sup>	658,294	505,093	552,232	660,471	908,676
Education	1,359,413	1,227,523	1,136,016	1,042,702	990,384
University <sup>d</sup>	320,238	272,193	244,917	246,168	226,794
Health and Human Services	1,819,084	1,794,439	1,748,751	1,707,996	1,571,025
Law and Justice <sup>b</sup>	179,851	171,185	141,890	135,026	131,359
Public Protection <sup>b</sup>	553,412	527,332	525,855	431,261	459,321
Natural Resources	297,410	259,087	236,146	227,132	221,088
Development	429,894	477,945	128,257	132,452	145,242
Transportation	988,857	894,571	804,546	764,003	737,768
Capital Outlay <sup>c</sup>	-	-	-	-	-
Intergovernmental Revenue Sharing	61,925	59,477	43,081	52,259	65,743
Debt Service:					
Principal	39,110	39,965	39,570	15,568	18,107
Interest and Other Charges	42,253	38,429	38,989	34,369	18,332
Existing Monies to Bond Escrow Agent	27,009	-	-	-	-
<b>Total Expenditures</b>	<b>7,123,280</b>	<b>6,561,390</b>	<b>5,901,846</b>	<b>5,706,614</b>	<b>5,772,443</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>7,349,989</b>	<b>4,050,815</b>	<b>3,102,771</b>	<b>2,952,163</b>	<b>(2,614)</b>
<b>Other Financing Sources (Uses)</b>					
Bonds Issued	218,938	92,060	-	14,145	461,935
Refunding Bonds Issued <sup>e</sup>	193,050	-	25,725	-	-
Bond Issue Premium	-	856	-	-	39,310
Other Debt Proceeds	(193,050)	1,957	-	-	-
Refunding Bond Issue Premium <sup>e</sup>	-	-	1,251	-	-
Bond Discount	(11,180)	-	-	-	-
Payment to Refunded Bond Escrow Agent <sup>e</sup>	-	-	(26,858)	-	-
Capital Leases	4,241	8,628	10,751	15,615	-
Transfers In from Other Funds	1,338,871	807,093	604,541	614,250	706,507
Transfers In from Component Units <sup>d</sup>	-	-	-	-	-
Transfers (Out to) Other Funds	(1,363,302)	(801,164)	(615,931)	(597,320)	(695,498)
Transfers (Out to) Component Units <sup>d</sup>	-	-	-	-	-
<b>Total Other Financing Sources and Uses</b>	<b>187,568</b>	<b>109,430</b>	<b>(521)</b>	<b>46,690</b>	<b>512,254</b>
Special Items	-	-	-	4,829	127,413
Prior Period Adjustments and Restatements	-	393	(17,932)	3,569	(5,103)
<b>Net Change in Fund Balances</b>	<b>\$ 7,537,557</b>	<b>\$ 4,160,638</b>	<b>\$ 3,084,318</b>	<b>\$ 3,007,251</b>	<b>\$ 631,950</b>

Debt Service as a Percentage of Noncapital Expenditures	2007	2006	2005	2004	2003
	1.69%	1.37%	1.51%	1.00%	0.72%

**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.



SCHEDULE A-5

	2002	2001	2000	1999	1998
\$	1,019,878	\$ 1,332,572	\$ 1,165,502	\$ 794,453	\$ 1,049,154
	90,049	78,367	94,087	86,873	93,820
	157,458	161,418	122,720	91,433	82,977
	11,937	33,680	46,291	12,607	37,799
	867,143	1,134,884	1,083,715	512,115	738,791
	19,612	-	-	-	-
	(379,887)	80,175	47,995	46,771	61,275
	1,552,694	1,324,761	1,226,821	1,039,968	959,842
	63,474	-	-	-	-
	154,713	129,487	48,506	39,642	38,024
	<u>3,557,071</u>	<u>4,275,344</u>	<u>3,835,637</u>	<u>2,623,862</u>	<u>3,061,682</u>
	393,579	260,488	189,026	197,154	200,392
	1,086,362	-	-	-	-
	973,716	879,584	876,890	866,346	827,794
	208,497	-	-	-	-
	1,408,238	1,284,018	1,170,063	1,069,948	1,031,507
	117,648	526,676	462,056	449,256	425,328
	410,000	-	-	-	-
	199,032	152,690	144,762	151,480	150,547
	130,893	19,404	18,634	38,336	35,641
	650,678	165,551	156,117	155,715	152,607
	-	573,691	549,345	479,070	416,681
	65,198	82,519	73,783	95,448	91,700
	16,664	-	2,376	8,515	13,316
	15,878	4,294	57	324	904
	-	-	-	-	-
	<u>5,676,383</u>	<u>3,948,915</u>	<u>3,643,109</u>	<u>3,511,592</u>	<u>3,346,417</u>
	(2,119,312)	326,429	192,528	(887,730)	(284,735)
	142,790	116,050	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	(1,852)	(878)	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	961,827	32,098	16,366	29,479	20,193
	-	87,315	179,445	118,967	105,264
	(947,910)	(357,628)	(427,778)	(187,434)	(249,448)
	-	(213,075)	(394,797)	(170,223)	(171,416)
	<u>154,855</u>	<u>(336,118)</u>	<u>(626,764)</u>	<u>(209,211)</u>	<u>(295,407)</u>
	-	-	-	-	-
	33,086,138	1,978	(70)	1,065	1,296
\$	<u>31,121,681</u>	<u>(7,711)</u>	<u>(434,306)</u>	<u>(1,095,876)</u>	<u>(578,846)</u>
	0.62%	0.13%	0.08%	0.29%	0.49%

**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
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%
2006	32,910	30,325	2,585	11.0%
2007	37,826	33,694	4,132	17.1%

**Annual Rate of Return by Asset Class <sup>d</sup>**

Fiscal Year	Domestic Equities	International Equities	Global Equities	Domestic Bonds	Non-Dollar Bonds	Real Estate	Alternative Investments	Total Fund
1998	26.5%	8.1%	NA <sup>c</sup>	11.4%	11.1%	15.6%	NA <sup>c</sup>	16.4%
1999	19.4%	9.4%	NA <sup>c</sup>	1.7%	8.6%	9.8%	NA <sup>c</sup>	9.5%
2000	8.7%	23.3%	NA <sup>c</sup>	3.7%	-1.7%	10.6%	NA <sup>c</sup>	9.2%
2001	-13.1%	-22.9%	NA <sup>c</sup>	11.4%	0.8%	14.3%	NA <sup>c</sup>	-3.3%
2002	-15.4%	-8.6%	NA <sup>c</sup>	8.0%	10.2%	10.3%	NA <sup>c</sup>	-2.2%
2003	-0.3%	-5.0%	NA <sup>c</sup>	10.2%	15.3%	9.1%	NA <sup>c</sup>	4.5%
2004	21.1%	28.4%	NA <sup>c</sup>	0.8%	4.3%	16.5%	NA <sup>c</sup>	14.2%
2005	7.2%	15.4%	NA <sup>c</sup>	6.8%	10.1%	27.2%	NA <sup>c</sup>	10.4%
2006	10.0%	26.1%	NA <sup>c</sup>	-0.3%	0.6%	20.0%	11.3%	11.0%
2007	19.2%	31.6%	8.9%	6.2%	2.8%	18.1%	13.6%	17.1%

**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. Global equity returns are for six months only.

**REVENUE BASE (Last Six Fiscal Years)**

Oil Severance Taxes	2007	2006	2005	2004	2003	2002
Well-head value	\$55.79 per barrel	\$55.31 per barrel	\$38.92 per barrel	\$26.78 per barrel	\$23.27 per barrel	\$16.80 per barrel
Weighted average severance tax rate	16.90%	14.62%	14.20%	14.23%	14.16%	14.44%
Weighted Average Economic Limit Factor (ELF)	Not applicable	58.26%	52.99%	53.22%	55.19%	59.75%

**REVENUE RATE (The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT).<sup>f</sup>)**

Production tax revenue under the Petroleum Profits Tax (PPT) is calculated as follows:  
[(Petroleum Value<sup>1</sup> minus Costs<sup>2</sup>) times Tax Rate<sup>3</sup>] minus Credits<sup>4</sup>

<sup>1</sup>Petroleum Value = (Total number of barrels<sup>a</sup> produced minus royalty barrels<sup>b</sup>) multiplied by the wellhead value<sup>c</sup>

<sup>a</sup>The total number of barrels of oil equivalent produced

See the Royalty Revenue Capacity Schedule B-3 for number of barrels produced.

<sup>b</sup>Minus the number of royalty barrels

Barrels that are charged royalties are not taxed, therefore these barrels are subtracted from the total.

<sup>c</sup>Multiplied by the wellhead value

Destination value minus allowable marine and transportation costs of each barrel.

<sup>2</sup>Costs = Lease expenditures, including qualified operating and capital expenses

<sup>3</sup>Tax Rate = The production tax rate is 22.5% of the petroleum value minus costs ("net income"). A progressive surcharge of .25% is added for every dollar that this "net income" per barrel exceeds \$40.

<sup>4</sup>Credits = Includes a 20 percent credit for all qualified capital expenditures, 20 percent credit for eligible transition expenditures, and a standard deduction of up to \$12 million per year for qualified companies.

**Prior to April 1, 2006 the Revenue Rate was calculated using the Economic Limit Factor (ELF)**

This effective severance tax rate was computed as:

(Number of barrels produced less the number of royalty barrels) x the well-head value x the severance tax rate x ELF

**REVENUE PAYERS (Current Reporting Period and Period Nine Years Prior)**

	2007	1998
Alaska Statute 43.05.230 prohibits naming individual tax payers.	Five oil companies account for more than 99.8% of severance tax.	Five oil companies account for more than 98.7% of severance tax.
Amount of Revenue Base	Five oil companies account for 257,600 thousands of barrels of oil production.	Five oil companies account for 434,394 thousands of barrels of oil production.
Percent of top payers to total oil production	94.50%	98.10%
Percent of top payers to total severance tax revenue	99.80%	98.70%

**SOURCE:**

Alaska Department of Revenue, Tax Division

**NOTES:**

<sup>a</sup>The Petroleum Profits Tax (PPT) became effective on April 1, 2006, replacing the previous production tax system based on the Economic Limit Factor (ELF). Production taxpayers paid under the ELF system through the end of December 2006, with a 'true-up' of tax liability under the PPT system due in April 2007. All revenues received at that time that were attributable to the PPT system were considered FY 2007 revenues.

**REVENUE BASE (Last Six Fiscal Years)**

Oil Royalties	2007	2006	2005	2004	2003	2002
Gross number of barrels	275,647,078	315,711,231	340,249,446	370,732,200	376,494,188	387,190,479
Number of barrels for which royalties are charged	35,198,124	39,947,170	44,820,165	48,080,646	49,296,600	48,415,456
Weighted average royalty rate	12.77%	12.65%	13.17%	12.97%	13.09%	12.50%

**REVENUE RATE (The method of determining the revenue rate has remained consistent over the last six 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)**

	2007	1998
Top Payers	Royalties from British Petroleum, ConocoPhillips and Flint Hills corporations comprise more than 91% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, Williams, and Tesoro corporations comprise more than 94% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips and Flint Hills corporations paid royalties on about 32 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips, Williams, and Tesoro corporations paid royalties on about 52 million barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels.	90.78%	94.53%
Percent of top payers to total royalty revenue.	86.46%	82.21%

**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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## Debt Capacity - Ratios of Outstanding Debt By Type

Last Ten Fiscal Years

(Stated in Thousands, Except Per Capita Amount)

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	Sport Fishing Revenue Bonds	Certificates of Participation <sup>b</sup>
1998	\$ 10,891	0.07%	\$ 18	\$ -	\$ -	\$ -
1999	2,376	0.01%	4	-	-	-
2000	-	0.00%	-	-	-	-
2001	-	0.00%	-	115,172	-	-
2002	-	0.00%	-	232,863	-	16,000
2003	499,541	2.44%	776	224,599	-	16,000
2004	492,586	2.26%	760	218,316	-	30,145
2005	463,117	2.03%	707	212,794	-	61,625
2006	433,916	1.85%	654	207,995	68,345	74,770
2007	404,866	1.56%	604	387,252	64,273	65,275

**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> Prior to 2002, all Certificates of Participation (COPs) were reported as capital leases. For fiscal years 2002-2004, COPs related to facilities under construction were reported as COPs, and completed projects were reported as capital leases. Beginning in 2005, all COPs are reported as Certificates of Participation.
- <sup>c</sup> In 2002, the capitalization threshold for reporting capital leases was increased, and operating leases that met the criteria for reporting as capital leases were reported for the first time, in conjunction with implementation of GASB Statement No. 34.

SCHEDULE C-1

Capital Leases <sup>b, c</sup>	Business-type Activities		Total Primary Government	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	International Airports Revenue Bonds				
\$ 169,613	\$ 35,220	\$ 215,724	1.31%	\$ 354	
159,065	210,425	371,866	2.17%	603	
88,783	227,776	316,559	1.79%	509	
116,529	226,976	458,677	2.46%	732	
261,280	362,374	872,517	4.44%	1,377	
272,473	356,510	1,369,123	6.69%	2,127	
194,492	422,141	1,357,680	6.23%	2,094	
147,993	412,057	1,297,586	5.68%	1,980	
140,162	646,238	1,571,426	6.68%	2,368	
125,536	633,152	1,680,354	6.49%	2,508	

STATE OF ALASKA  
Debt Capacity - Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(Stated in Thousands)

SCHEDULE C-2

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
<b>International Airports Revenue Bonds:<sup>a</sup></b>						
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
2006	107,125	68,732	38,393	12,529	21,011	1.14
2007	123,435	70,609	52,826	12,770	31,675	1.19
<b>Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds:<sup>b</sup></b>						
2001	\$ 774	\$ -	\$ 774	\$ -	\$ 4,294	0.18
2002	21,350	-	21,350	-	7,188	2.97
2003	21,467	-	21,467	490	13,309	1.56
2004	18,399	-	18,399	-	12,925	1.42
2005	18,620	-	18,620	-	12,569	1.48
2006	17,136	-	17,136	-	12,264	1.40
2007	18,428	-	18,428	-	11,996	1.54
<b>Sport Fishing Revenue Bonds:<sup>c</sup></b>						
2006	\$ 1,296	\$ -	\$ 1,296	\$ -	\$ -	-
2007	7,418	-	7,418	2,415	2,883	1.40

**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. Additional details regarding revenues and expenses can be found in the combining fund statements of this CAFR.

- <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.
- <sup>c</sup> Sport Fishing Revenue Bonds were sold April 11, 2006. Revenues consist primarily of a sport fishing facility surcharge collected on the sale of sport fishing licenses.



**STATE OF ALASKA**  
**Demographic and Economic Information - Statistics**  
**Last Ten Calendar Years**

**SCHEDULE D-1**

Year	Population <sup>1</sup>	Personal Income (Stated in Millions) <sup>2</sup>	Alaska Per Capita Personal Income <sup>2</sup>	United States Per Capita Personal Income <sup>2</sup>	Median Age <sup>1</sup>	Unemployment Rate <sup>1</sup>
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%
2005	663,661	23,515	35,433	33,050	33.4	6.8%
2006	670,053	25,879	38,622	34,471	33.5	6.7%

**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 2006 and Period Ten Years Prior**

**SCHEDULE D-2**

Employer	2006			1996		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Uniformed Military	22,675	1	7.20%	18,974	1	6.95%
Federal Government	16,694	2	5.30%	17,322	2	6.34%
State of Alaska <sup>a</sup>	17,442	3	5.54%	15,639	3	5.73%
University of Alaska	7,080	4	2.25%	5,813	4	2.13%
Anchorage School District	6,806	5	2.16%	5,284	5	1.94%
Providence Health System Alaska	3,991	6	1.27%	2,261	8	0.83%
Safeway Stores/Carrs	3,117	7	0.99%	3,299	7	1.21%
Municipality of Anchorage	3,035	8	0.96%	3,516	6	1.29%
Fred Meyer	2,766	9	0.88%	1,760	9	0.64%
Wal-Mart/Sam's Club	2,608	10	0.83%	-	N/A	-
Fairbanks North Star School District				1,650	10	0.60%
<b>Total</b>	<b>86,214</b>		<b>27.38%</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> 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.

Operating Information - Full-time Equivalent Government Employees by Function  
Last Six Fiscal Years

<b>FUNCTION</b>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government	2,139	2,101	2,071	2,009	2,181	2,115
Education	423	409	395	421	346	444
Health and Human Services	2,599	2,511	2,432	2,477	2,579	2,460
Law and Justice	1,550	1,498	1,451	1,400	1,413	1,378
Public Protection	3,634	3,588	3,552	3,560	3,552	3,268
Natural Resources	1,978	1,932	1,897	1,928	1,956	1,895
Development	748	794	773	770	796	797
Transportation	2,979	2,940	2,826	2,833	2,741	2,658
Totals	<u>16,050</u>	<u>15,773</u>	<u>15,397</u>	<u>15,398</u>	<u>15,564</u>	<u>15,015</u>

**NOTE:**

Full-time equivalent employees are calculated using the total number of hours worked, divided by the number of 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>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Alaska Permanent Fund Dividend					
Number of Dividends Paid <sup>a</sup>	-	591,965	594,028	598,378	595,567
Education					
Student Enrollment in State Supported					
Schools (pre-elementary through grade 12)	132,608	133,288	132,970	133,930	134,364
University					
Student Enrollment in the State University					
System (average head count over both semesters)	32,515	32,740	32,786	34,111	33,752
Health and Human Services					
Medicaid Beneficiaries	121,864	122,975	125,942	119,321	116,841
Welfare Caseload	6,335	3,658	4,660	5,017	5,507
Protective Services Reports Regarding Children <sup>b</sup>	11,400	10,192	9,576	10,017	11,695
Law and Justice					
Criminal Caseload - Misdemeanors	23,609	23,060	22,569	22,700	22,238
Criminal Caseload - Felonies and Appeals	8,469	11,462	10,166	9,913	9,146
Civil Caseload	5,083	6,008	5,201	5,355	5,518
Public Protection					
Adult Offenders in Correctional Facilities	5,335	5,073	4,809	4,724	4,748
Juvenile Offenders in Detention or Treatment Facilities	237	250	234	247	305
National Guard Assigned Strength in Alaska <sup>e</sup>	3,872	3,785	3,704	4,009	3,955
Number of Homicides Investigated by State Troopers	12	10	23	15	12
Natural Resources					
Wholesale Value of Alaska Commercial Fish					
Harvests (stated in thousands of dollars) <sup>a</sup>	-	2,055,625	1,957,948	1,700,278	1,555,726
Recreation Acres State Owned or Maintained	11,663,339	11,444,009	11,183,929	11,361,029	11,388,366
State Timber Sold Annually (million board feet) <sup>d</sup>	82.9	25.0	27.5	11.7	18.7
State Acreage Leased for Oil and Gas Development <sup>f</sup>	4,980,450	4,267,925	3,972,538	4,101,542	4,849,396
Placer Mines Permitted <sup>d</sup>	178	345	316	320	310
Development					
Number of State Business Licenses	65,331	66,615	67,229	70,537	74,599
Transportation					
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK <sup>e</sup>	-	1.49	1.47	2.02	1.98
State Ferry Route Miles <sup>a</sup>	-	2,829	2,829	2,866	2,866
Intergovernmental Revenue Sharing					
Number of Communities that Receive a Portion of Shared					
Taxes and Fees	146	145	140	139	138
Loans					
Number of Loans in Portfolio	2277	2263	2,183	2,149	2,228
Unemployment Compensation					
Initial Claims Paid <sup>a, d</sup>	-	93,609	100,692	103,240	113,604
Airports <sup>c</sup>					
Landings:					
Jets	80,652	81,040	77,074	72,486	72,663
Other Aircraft	46,940	46,022	47,564	49,082	48,933
Passengers:					
In	2,889,786	2,868,053	2,852,820	2,696,409	2,614,179
Out	2,873,803	2,860,859	2,849,651	2,686,048	2,608,440
Through	364,850	284,947	394,324	421,472	446,000
Freight (in tons):					
In	369,743	338,401	297,752	255,958	257,715
Out	393,279	382,645	352,339	267,749	277,857

**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.

<sup>e</sup> Prior to state fiscal year 2005, this statistical data was provided based on a calendar year. Beginning with 2005 this quarterly data is available for state fiscal year reporting purposes.

<sup>f</sup> Includes both on shore and off shore acres.

SCHEDULE E-2

2002	2001	2000	1999	1998
589,378	586,187	583,040	572,790	565,256
134,358	133,356	134,391	135,778	131,303
31,043	30,557	30,076	30,871	31,658
110,569	105,698	96,862	80,699	73,859
6,025	6,123	7,596	8,890	10,514
12,154	13,796	12,834	12,215	11,845
22,041	19,997	19,077	18,832	20,442
8,556	8,168	8,218	7,805	7,676
5,068	5,311	5,370	5,392	5,792
4,644	4,403	4,294	4,301	4,315
285	274	295	293	293
3,941	3,689	3,648	3,718	3,827
12	14	21	27	18
1,445,470	1,450,141	1,633,553	1,922,450	1,514,242
11,338,380	11,320,100	11,126,530	11,338,380	11,338,380
15.5	8.9	20.8	14.6	45.6
6,225,000	4,190,209	3,479,479	3,456,084	3,409,072
287	301	360	336	475
73,047	73,617	73,540	73,936	73,348
1.82	1.89	2.30	1.74	1.55
2,775	2,775	2,775	2,775	2,865
141	142	141	146	135
2,286	2,316	2,286	2,323	2,355
114,916	97,523	107,232	116,951	117,999
70,161	71,075	69,901	66,831	66,301
51,561	51,104	49,471	47,984	56,275
2,624,631	2,653,474	2,588,078	2,522,005	2,532,369
2,634,245	2,658,282	2,600,238	2,538,998	2,531,986
513,076	675,390	694,662	734,715	779,953
236,834	242,323	247,658	227,259	103,288
259,036	262,935	266,363	253,329	159,669

**STATE OF ALASKA**  
**Operating Information - Capital Asset Statistics by Function**  
**Last Six Fiscal Years**

**SCHEDULE E-3**

FUNCTION	2007	2006	2005
Primary Government:			
General Government			
Buildings (square feet)	764,192	738,676	731,101
Education			
Buildings (square feet)	2,354,648	2,728,657	2,832,934
Schools	105	117	129
Schools Under Construction	35	17	10
Health and Human Services			
Buildings (square feet)	928,505	882,511	858,468
Pioneer Homes	6	6	6
Law and Justice			
Buildings (square feet)	553,687	526,659	512,094
Court Buildings	13	13	12
Public Protection			
Buildings (square feet)	1,298,482	1,261,043	1,253,724
Correctional Institutions	11	11	11
Aircraft	16	16	16
Motor Vessels	21	19	18
National Guard Armories <sup>a</sup>	21	21	20
Natural Resources			
Buildings (square feet)	706,814	678,899	669,406
Parks Acreage	3,353,805	3,326,019	3,325,939
Forest Acreage	2,232,400	2,066,000	2,066,000
Other State Land Acreage	86,166,329	84,430,236	82,967,314
Aircraft	3	3	3
Motor Vessels	9	9	9
Development			
Buildings (square feet)	267,229	279,168	272,816
Transportation			
Buildings (square feet)	1,064,449	1,033,511	997,525
Light Duty Vehicles	3,609	3,366	3,323
Heavy Duty Utility Vehicles	1,668	1,861	1,824
Ferries	11	11	11
Building Projects Under Construction	105	112	94
Rural Airports	256	256	258
Rural Airport Projects Under Construction	339	358	415
Centerline Road Miles <sup>b</sup>	-	5,603	5,613
Highway Projects Under Construction	782	767	766
Business-type Activities:			
Airports (Anchorage and Fairbanks International)			
Terminals (square feet)	1,280,864	1,280,864	1,178,602
International Airport (acreage)	8,153	8,153	8,153
International Airport Projects Under Construction	121	117	162
Runways (miles)	8	6	6

**NOTES:**

<sup>a</sup> Increase in National Guard Armories for 2005 was 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.

SCHEDULE E-3

2004	2003	2002
691,070	930,674	722,847
2,923,628	2,962,440	2,862,070
145	144	142
8	12	16
852,057	1,100,412	840,707
6	6	6
481,805	602,962	470,832
13	12	13
1,224,620	1,515,444	1,116,699
11	11	11
14	14	12
16	16	19
10	10	10
663,345	834,591	647,531
3,325,939	3,353,276	3,303,290
2,243,100	2,243,100	2,243,100
82,797,376	83,779,277	83,825,572
3	3	3
8	11	11
264,948	339,321	272,408
974,654	1,169,505	908,041
3,433	3,403	3,351
1,828	1,795	1,789
10	11	10
101	108	123
260	259	259
397	361	343
5,612	5,562	5,557
760	768	779
773,681	783,900	765,449
8,153	8,153	8,153
187	213	211
6	6	6



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# Index of Funds

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Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Accelerated Alaska Transportation Projects	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Adak Airport Operations	PL 101-510	No	GF	3.01, 3.02
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	3.01, 3.02
Alaska Children's Trust	AS 37.14.200	No	GF	3.01, 3.02
Alaska Clean Water	AS 46.03.032-036 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Debt Retirement	AS 37.15.011	No	GF	3.01, 3.02
Alaska Drinking Water	AS 46.03.036-038 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Energy Authority	AS 44.83.020	Yes	DPCU	6.01, 6.02
Alaska Fish and Game Revenue Bond Redemption	AS 37.15.770	Yes	DSF	3.41, 3.42
Alaska Gasline Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Historical Commission Receipts Account	AS 41.35.380	No	GF	3.01, 3.02
Alaska Housing Capital Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Housing Finance Corporation	AS 18.56.020	Yes	DPCU	1.41, 1.42
Alaska Industrial Development and Export Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.01, 3.02
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.01, 3.02
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 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 - 1.14
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 Sport Fishing Construction Account	AS 16.05.130(f)	Yes	CPF	3.51, 3.52
Alaska Student Loan Corporation	AS 14.42.100	Yes	DPCU	6.01, 6.02
Alaska Technical and Vocational Education Program	AS 23.15.830	No	GF	3.01, 3.02
Alaska Transportation Infrastructure Bank	Section 350 of the NHSD Act of 1995 Federal Law	No	GF	3.01, 3.02
Alaska Veterans' Memorial Endowment	AS 37.14.700(a)	Yes	GF	3.01, 3.02
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13
Alcohol and Other Drug Abuse Treatment and Prevention	AS 43.60.050	No	GF	3.01, 3.02
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

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Alyeska Settlement Trust	Consent decree between U.S., Alaska, and Alyeska Pipeline Service Company	Yes	SRF	3.31 - 3.33
Anatomical Gift Awareness	AS 13.50.160(a)	No	GF	3.01, 3.02
Art in Public Places	AS 44.27.060	No	GF	3.01, 3.02
Assistive Technology Loan Guarantee	AS 23.15.125	No	GF	3.01, 3.02
Budget Reserve - Statutory	AS 37.05.540	No	GF	3.01, 3.02
Building Safety Account	AS 44.31.025	No	GF	3.01, 3.02
Child Care Facility Revolving Loan	AS 44.33.240	Yes	CAEF	4.11 - 4.13
Clean Air Protection	AS 46.14.260	Yes	SRF	3.31 - 3.33
	Federal Clean Air Act			
Commercial Fishing Revolving Loan	AS 16.10.340	Yes	CAEF	4.11 - 4.13
Commercial Passenger Vessel Environmental Compliance	AS 46.03.482	No	GF	3.01, 3.02
Constitutional Budget Reserve	Constitution, Art. IX, sec. 17 AS 37.13	Yes	GF	3.01, 3.02
Correctional Industries	AS 33.32.020	No	GF	3.01, 3.02
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	3.01, 3.02
Donated Commodity Fee	USC 7 CFR, Part 250	No	GF	3.01, 3.02
Educational and Museum Facility Design, Construction, and Major Maintenance (GO Bonds)	Ch 2, SSSLA 2002	Yes	CPF	3.51, 3.52
Educational Facilities Maintenance and Construction	AS 37.05.560	No	GF	3.01, 3.02
Election	Federal H.R. 3295	No	GF	3.01, 3.02
Employment Assistance and Training Program Account	AS 23.15.625	No	GF	3.01, 3.02
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 Community Grant	AS 44.33.115	No	GF	3.01, 3.02
Exxon Valdez Settlement Trust	AS 37.14.400	Yes	SRF	3.31 - 3.33
FHWA - Airspace Leases	Section 156 of the USSTURAA of 1987	No	GF	3.01, 3.02
FICA Administration	AS 39.30.050	No	GF	3.01, 3.02
Fish and Game	AS 16.05.100	Yes	SRF	3.31 - 3.33
Fisheries Disaster	PL 108-7, SEC 2, Division N, Title V - Fisheries Disaster, Sec. 501 (a)	No	GF	3.01, 3.02
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	3.01, 3.02
Fund for the Improvement of School Performance	AS 14.03.125	No	GF	3.01, 3.02
General Fund	Operating fund of the State	Yes	GF	3.01, 3.02

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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
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	3.01, 3.02
Memorial Education Revolving Loan	AS 14.43.255	Yes	GF	3.01, 3.02
Mine Reclamation Trust	AS 37.14.800(a)	Yes	SRF	3.31 - 3.33
Mining Revolving Loan	AS 27.09.010	Yes	CAEF	4.11 - 4.13
Municipal Capital Project Matching Grant	AS 37.06.010	No	GF	3.01, 3.02
Municipal Harbor Facility Grant	AS 29.60.800	No	GF	3.01, 3.02
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 Redemption	AS 18.56.086	Yes	DSF	3.41, 3.42
Oil and Hazardous Substance Release Prevention and Response	AS 46.08.010	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention Mitigation Account	AS 46.08.020(b)	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Response Mitigation Account	AS 46.08.025(b)	No	GF	3.01, 3.02
Permanent Fund Dividend	AS 43.23.045	Yes	GF	3.01, 3.02
Public Advocacy Trust	AS 44.21.410	Yes	AF	5.11, 5.12
Public Education	AS 14.17.300	No	GF	3.01, 3.02
Public Employees' Retirement System	AS 39.35.020	Yes	PTF	5.01, 5.02
Public Employees' Retirement System and Teachers Retirement System Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan	AS 39.30.300 AS 39.35.870 AS 14.25.470	Yes	PTF	5.01, 5.02
Public School Trust	AS 37.14.110	Yes	PF	3.11, 3.12
Railbelt Energy	AS 37.05.520	No	GF	3.01, 3.02
Randolph-Sheppard Small Business	AS 23.15.130	No	GF	3.01, 3.02
	20 USC 107-107(f)			
Real Estate Surety	AS 08.88.450	No	GF	3.01, 3.02
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, 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	3.01, 3.02

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School Trust Land Sales	Attorney General Opinion	No	GF	3.01, 3.02
Second Injury	AS 23.30.040	Yes	SRF	3.31 - 3.33
Senior Care	Ch 3, SLA 2004	No	GF	3.01, 3.02
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	3.01, 3.02
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.01, 3.02
State Land Reforestation	AS 41.17.300	No	GF	3.01, 3.02
Storage Tank Assistance	AS 46.03.410	No	GF	3.01, 3.02
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.01, 3.02
TAPS Rebate	Federal PL 101-380	No	GF	3.01, 3.02
Teachers' Retirement System	AS 14.25.010	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580	No	GF	3.01, 3.02
Training and Building	AS 23.20.130(d)	No	GF	3.01, 3.02
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 Matching Grant	AS 37.06.020	No	GF	3.01, 3.02
University of Alaska	AS 14.40.040	Yes	DPCU	1.41, 1.42
Vocational Rehabilitation Small Business Enterprise Revolving	AS 23.15.130	No	GF	3.01, 3.02
Wage and Hour		Yes	AF	5.11, 5.12
Workers' Compensation Benefits Guaranty	AS 23.30.082	No	GF	3.01, 3.02
Workers' Safety and Compensation Administration Account	AS 23.05.067	No	GF	3.01, 3.02

# 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
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
FSSLA	First Special Session Laws of Alaska
GAAP	Generally Accepted Accounting Principles
GASBS	Governmental Accounting Standards Board Statement
GF	General Fund
H.R.	House Resolution
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
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
SBS	Supplemental Benefits System
SLA	Session Laws of Alaska
SSSLA	Second Special 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