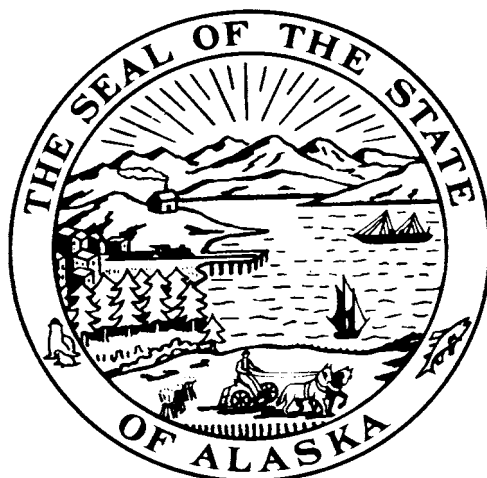


# State of Alaska

# Comprehensive Annual Financial Report

For the Fiscal Year  
July 1, 2003 – June 30, 2004



Prepared by:  
Department of Administration  
Division of Finance

The FY 04 CAFR is expected to be available on or after January 14, 2005 on our Internet web site at [http://fin.admin.state.ak.us/dof/financial\\_reports/cafr\\_toc.jsp](http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp).

**This publication was released by the Department of Administration, Division of Finance to report on the state's financial status. Produced and printed in Juneau, Alaska at a cost of \$14.24 per copy. This publication is required by AS 37.05.210.**

**Photo Credit**

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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2004**

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# Introductory Section

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December 15, 2004

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

In accordance with Alaska Statute (AS) 37.05.210, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of Alaska for the fiscal year ending June 30, 2004. 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 are accurate in all material respects and are 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.

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

#### THE REPORTING ENTITY AND ITS SERVICES

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.

## AUDITS

The Division of Legislative Audit is the principal auditor of the state's reporting entity. The audit of the CAFR was conducted in accordance with generally accepted auditing standards (GAAS), and the independent auditor's report is the first item in the financial section of the CAFR and precedes the MD&A and basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2004, 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.

## 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'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.

In addition to internal controls, 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 required to be 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 the encumbrance of estimated purchase amounts prior to creating obligations with vendors. Open encumbrances are reported as reservations of fund balance at June 30, 2004.

## 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 and AS 37.10.071 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.

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 for manager's time 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

From the time oil began flowing through the Trans-Alaska Pipeline in the late 1970's, the state has been in 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 revenues and the corresponding decrease in available cash has become more apparent. This has been reflected in more modest state operating and capital budgets. Also associated with declining revenues, though much less understood, is a cash flow situation that could lead to a cash deficiency for the state. The possibility of a cash flow deficiency grows with each passing year.

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

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

In the past eleven budget cycles, the legislature has addressed the possibility of a revenue shortfall. It has included language in the appropriation act permitting the executive branch to borrow cash from the

statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, FY 03, and FY 04 to balance revenues and expenditures. As of June 30, 2004, \$5.1 billion has been appropriated from the CBRF.

#### PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS PENSION FUNDS

Net assets at June 30, 2004, of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$8.2 billion and \$3.9 billion respectively. The funding status for PERS and TRS as of the June 30, 2003, actuarial valuations, indicated the actuarial accrued liabilities were 72.8 percent funded for PERS, and 64.3 percent funded for TRS. Further information on these and other pension funds, including the Supplemental Benefits System and Deferred Compensation plans, can be found in notes 7, 8, and 9 to the financial statements.

#### RISK MANAGEMENT

As more fully detailed in Note 11.C., 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. Two of the most notable are the Constitutional Budget Reserve Fund and the Permanent Fund Dividend Fund. Prior to FY 02, these two funds were separately reported. However, as a result of implementing Governmental Accounting Standards Board Statement No. 34, these two are now included as a part of the general fund. Because of materiality and public interest in these two funds, individual fund data for each is provided in the combining statements for the general fund included in this report.

The state's major source of unrestricted revenue is petroleum related. In FY 04, petroleum revenue was 44 percent of all general fund revenues (see the following table). The largest source of nonpetroleum revenues, as shown in the following table, is federal, which makes up 41 percent of revenues. Not all revenues that flow into the general fund are available to pay for unrestricted government activities. The most notable are federal revenues, which are provided for specific purposes.

| (Stated in millions)                                     | FY 04      | Percent | FY 03      | Percent |
|--|------------|---------|------------|---------|
| <u>Petroleum Revenue</u>                                 |            |         |            |         |
| Property Tax   | \$ 47.4    | 1.0     | \$ 48.7    | 1.2     |
| Corporate Petroleum Income Tax                           | 302.9      | 6.5     | 168.3      | 4.0     |
| Severance Tax  | 656.1      | 14.0    | 602.7      | 14.4    |
| Mineral Bonuses and Rents                                | 10.5       | 0.2     | 9.6        | 0.2     |
| Oil and Gas Royalties                                    | 1,045.7    | 22.3    | 832.0      | 19.8    |
| Total Petroleum Revenue                                  | 2,062.6    | 44.0    | 1,661.3    | 39.6    |
| <u>Nonpetroleum Revenue</u>                              |            |         |            |         |
| Taxes  | 236.2      | 5.1     | 212.4      | 5.1     |
| Licenses and Permits                                     | 90.6       | 1.9     | 75.7       | 1.8     |
| Charges for Services                                     | 183.9      | 3.9     | 167.2      | 4.0     |
| Fines and Forfeitures                                    | 17.5       | 0.4     | 10.2       | 0.2     |
| Rents and Royalties                                      | 12.4       | 0.3     | 6.7        | 0.2     |
| Interest and Investment Income                           | 107.6      | 2.3     | 142.2      | 3.4     |
| Net Increase (Decrease) in the Fair Value of Investments | (33.8)     | (0.7)   | 60.5       | 1.4     |
| Other Revenue  | 84.0       | 1.8     | 108.4      | 2.6     |
| Total Nonpetroleum Revenue                               | 698.4      | 15.0    | 783.3      | 18.7    |
| Federal Revenue  | 1,918.6    | 41.0    | 1,749.0    | 41.7    |
| Total Revenues   | \$ 4,679.6 | 100.0   | \$ 4,193.6 | 100.0   |

The total expenditures charged against general fund appropriations during FY 04 amounted to \$5,418.5 million, a decrease of \$163.7 million from FY 03. In addition, transfers to other funds of \$13.3 million, brings the total FY 04 disbursements from the general fund to \$5,431.8 million. FY 03 total disbursements were \$5,587.2 million, which included transfers to other funds of \$4.8 million.

Expenditures by department are compared with the prior year in the following tabulation (in thousands):

| <u>Department</u>                  | <u>FY 04</u>     | <u>Percent</u> | <u>FY 03</u>     | <u>Percent</u> |
|------------------------------------|------------------|----------------|------------------|----------------|
| Office of the Governor             | 46,702           | 0.9            | 30,068           | 0.5            |
| Administration                     | 127,960          | 2.4            | 213,336          | 3.8            |
| Law                                | 33,860           | 0.6            | 39,506           | 0.7            |
| Revenue                            | 716,305          | 13.3           | 966,211          | 17.3           |
| Education & Early Development      | 959,336          | 17.5           | 973,966          | 17.4           |
| Health & Social Services           | 1,644,498        | 30.4           | 1,449,230        | 26.0           |
| Labor & Workforce Development      | 95,885           | 1.8            | 98,412           | 1.8            |
| Community & Economic Development   | 129,136          | 2.4            | 144,904          | 2.6            |
| Military & Veterans' Affairs       | 40,810           | 0.8            | 34,915           | 0.6            |
| Natural Resources                  | 93,087           | 1.7            | 103,937          | 1.9            |
| Fish & Game                        | 60,246           | 1.1            | 66,365           | 1.2            |
| Public Safety                      | 105,335          | 1.9            | 105,083          | 1.9            |
| Environmental Conservation         | 109,198          | 2.0            | 118,296          | 2.1            |
| Corrections                        | 167,150          | 3.1            | 164,979          | 3.0            |
| Transportation & Public Facilities | 751,380          | 13.9           | 750,601          | 13.4           |
| Legislature                        | 34,492           | 0.6            | 34,616           | 0.6            |
| Debt Service                       | 12,115           | 0.2            | 12,906           | 0.3            |
| Alaska Court System                | 60,969           | 1.1            | 56,223           | 1.0            |
| University                         | 230,050          | 4.3            | 218,834          | 3.9            |
| Total Expenditures                 | <u>5,418,514</u> | <u>100.00</u>  | <u>5,582,388</u> | <u>100.0</u>   |

ECONOMIC CONDITION AND OUTLOOK

As mentioned earlier, the state's major source of revenue is petroleum related. However, the price of oil has had its ups and downs over the years. The Alaska North Slope West Coast oil price averaged \$31.74 per barrel during FY 04, which is \$0.61 over the Department of Revenue spring 2004 projection of \$31.13 per barrel and \$3.59 more than the average price of \$28.15 for FY 03. The fall 2004 projection for FY 05 is \$43.61 per barrel.

CERTIFICATE OF ACHIEVEMENT

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, 2003. This is the first 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, whose contents 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, 2004 conforms to the GFOA's award criteria, and we are submitting it to the GFOA for review.

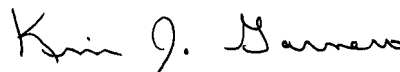
ACKNOWLEDGMENTS

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.

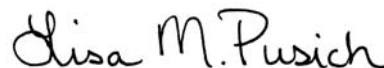
Sincerely,



Ray Matiashowski  
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, 2003

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



*Nancy L. Zielke*

President

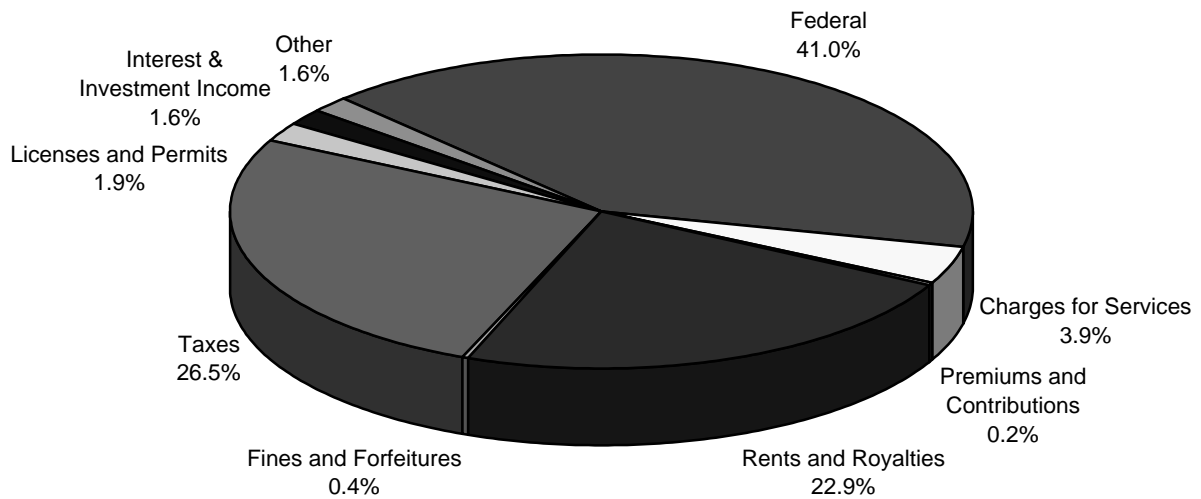
*Jeffrey R. Emer*

Executive Director

# STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

\$4,680  
(Millions)

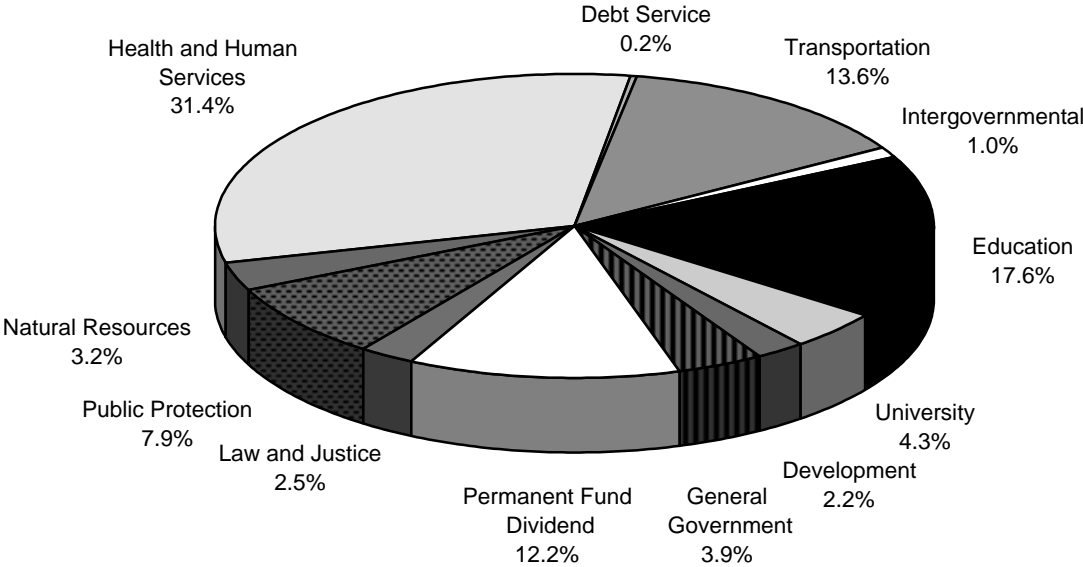




# STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

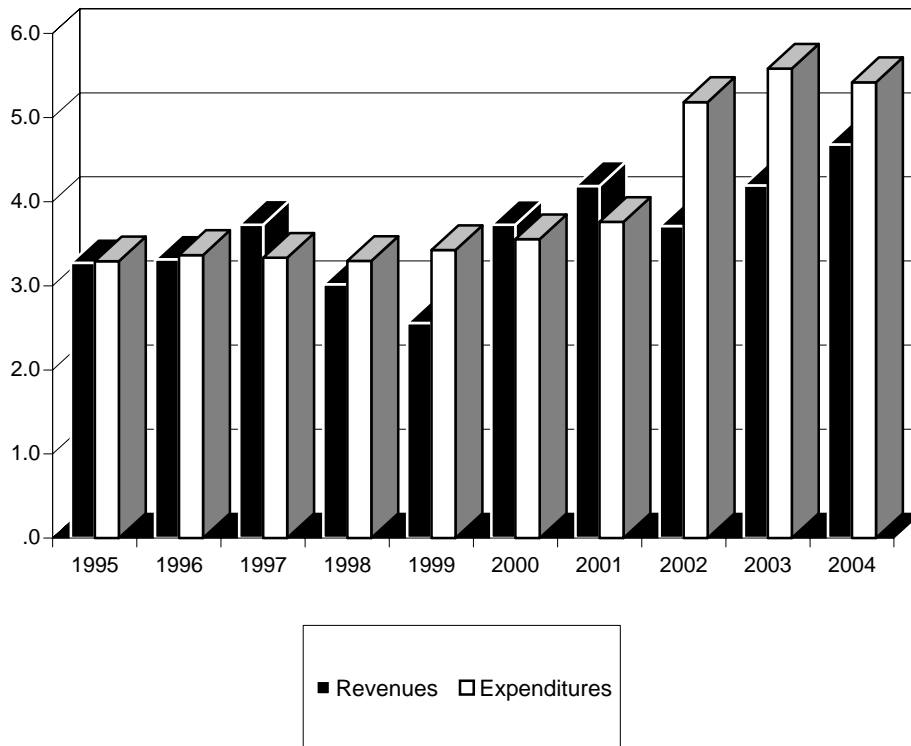
\$5,419  
(Millions)



# STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

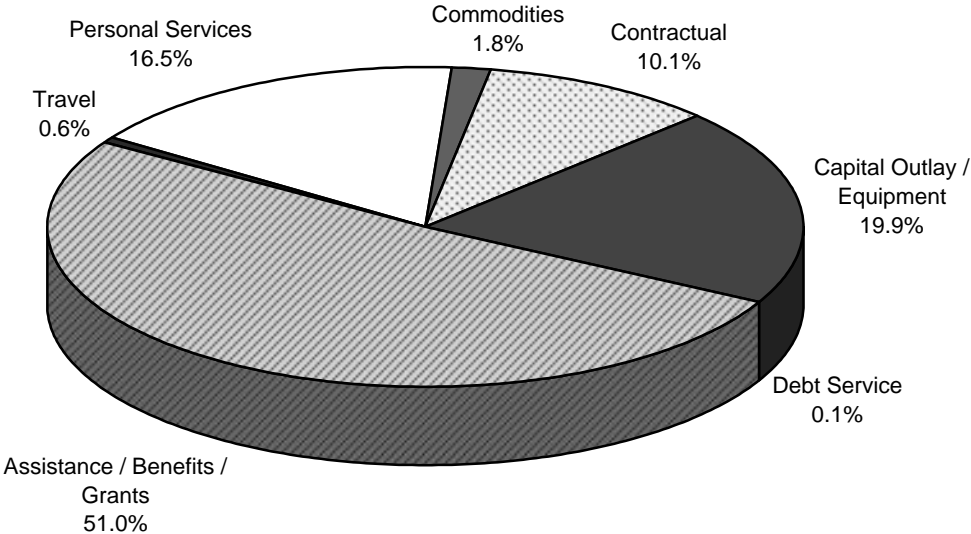
TEN YEAR COMPARISON  
FOR THE FISCAL YEARS 1995 THROUGH 2004

(Stated in Billions)



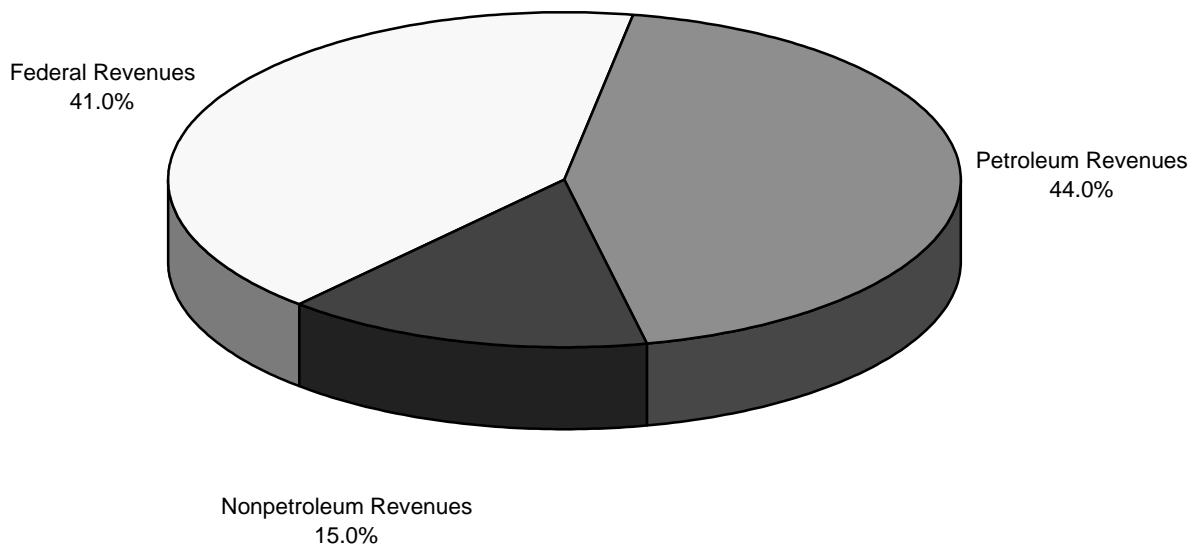
# STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

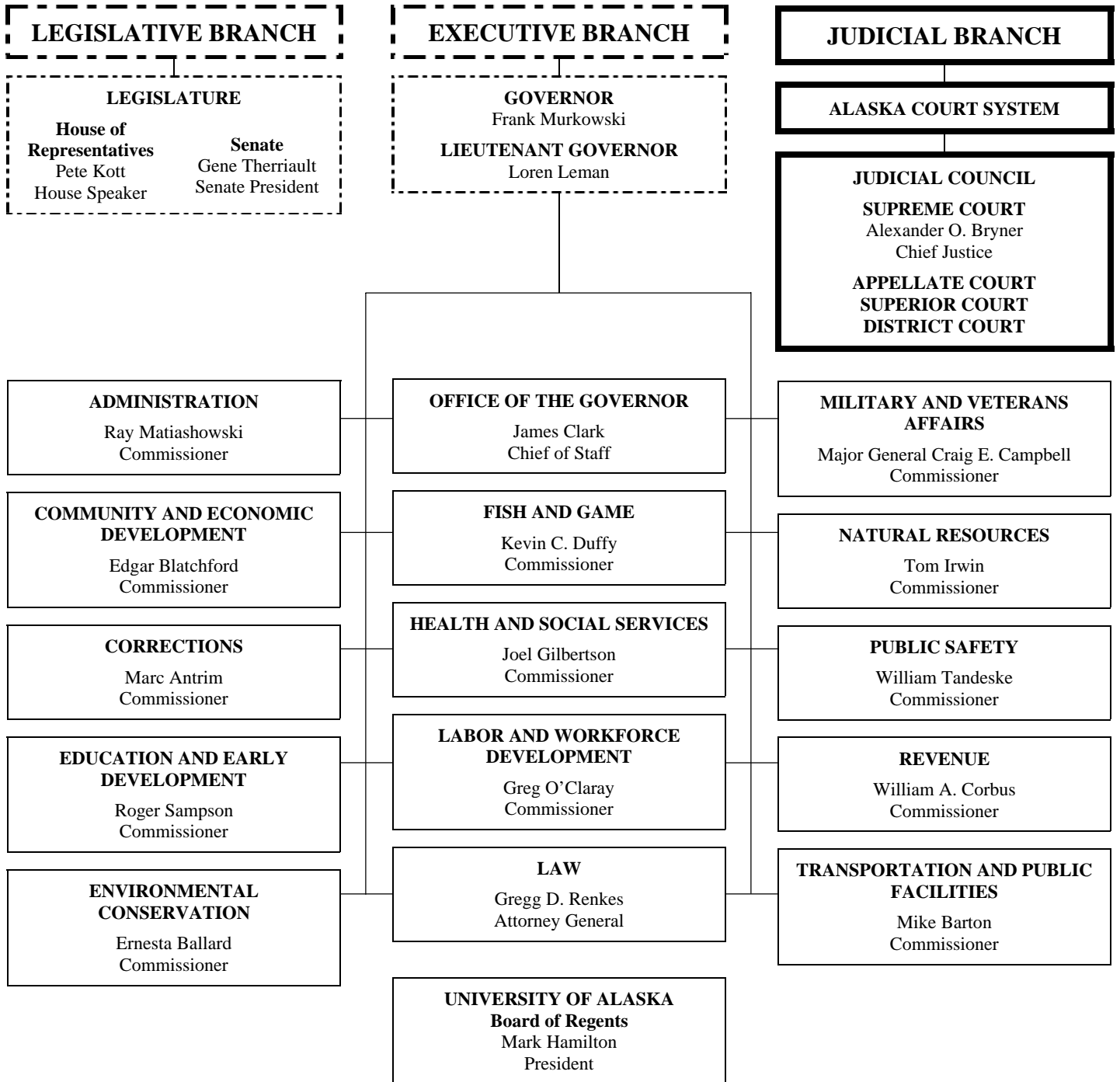


# STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004



# STATE OF ALASKA ORGANIZATION CHART



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

# FUNCTIONS OF STATE DEPARTMENTS

## **OFFICE OF THE GOVERNOR**

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

## **ADMINISTRATION**

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

## **COMMUNITY AND ECONOMIC DEVELOPMENT**

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

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

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

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

## **CORRECTIONS**

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

## **EDUCATION AND EARLY DEVELOPMENT**

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

public for educational matters. Education policies are determined by the board and administered by the Commissioner through department divisions. Programs administered include: public school funding, teacher certification, and student assessment. State operated schools and programs include: Alyeska Central School - the state's correspondence program, and Mt. Edgecumbe High School - the state's secondary boarding school program. The department also administers the state libraries, archives, records and museum services, provides grants to the arts community, and provides financial aid to post-secondary students through the Alaska Commission on Postsecondary Education.

## **ENVIRONMENTAL CONSERVATION**

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

## **FISH AND GAME**

The Department of Fish and Game is mandated to manage, protect, maintain, improve, and extend the fish, game, and aquatic plant resources of Alaska in the interest of the economy and general well-being of the state. The Boards of Fisheries and Game adopt regulations to conserve and develop these resources. The commissioner and the department conduct management and research functions necessary to support these goals. Includes the Commercial Fisheries Entry Commission, a quasi-judicial agency that promotes resource conservation and sustained yield management by regulating entry into Alaska's commercial fisheries.

## **HEALTH AND SOCIAL SERVICES**

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

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

The Department's primary services include facilitation of child protection, foster care, child health, youth corrections and juvenile justice, public health, behavioral health, pioneers' and veterans homes, assistance for Alaska seniors and individuals experiencing disabilities, and assistance to low-income Alaskans to help them become as economically self-sufficient as possible.

## **LABOR AND WORKFORCE DEVELOPMENT**

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

## **LAW**

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

## **MILITARY AND VETERANS AFFAIRS**

The Department of Military and Veterans Affairs (DMVA) is responsible for the Alaska Army and Air National Guard, Division of Homeland Security and Emergency Management, Office of Veterans Affairs, Alaska Military Youth Academy, and the Alaska State Defense Force and Alaska Naval Militia. The Adjutant General/Commissioner of DMVA exercises day to day command over the Alaska National Guard. The ability of the Governor, through the Adjutant General, to use Alaska National Guard Forces in a State role provides for military support to civil authorities in support of disaster assistance, homeland security, counter-drug support programs, and to counter civil unrest. The Alaska Military Youth Academy is a nationally award winning and accredited special purpose school that manages programs and provides services to the youth of Alaska. It uses proven military methods and techniques to motivate young men and women to become successful citizens. The Academy's ChalleNGe Program accepts 16-18 year old volunteers who are at risk of not completing high school in traditional settings. The Academy's STARBASE program teaches elementary school students technology and aerospace science through the use of hands-on activities. The mission of the Division of Homeland Security and Emergency Management is to protect lives and property from terrorism and all other hazards and provide rapid recovery from all disaster events. It maintains the State Emergency Coordination Center in Anchorage that is the command, control, and communications center for state and federal response to disasters and significant emergencies. The Office of Veterans Affairs serves as an advocate on issues affecting Alaska's veteran population.

## **NATURAL RESOURCES**

Responsible for the use, development, and conservation of the surface and subsurface natural resources belonging to the state, except for

fish and game. These include approximately 91 million acres of uplands and 69 million acres of tidelands, shorelands, and submerged lands and about 40,000 miles of coastline. The strategic missions include: develop, conserve, and enhance the natural resources of the State of Alaska; raise public awareness that Alaska's natural resources are the basic asset of our economy; stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic values; implement efficiencies and economies in government; deliver essential services; and stimulate local initiative and personal responsibility.

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

## **PUBLIC SAFETY**

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

## **REVENUE**

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

## **TRANSPORTATION AND PUBLIC FACILITIES**

The department is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes approximately 260 state-owned airports and seaplane bases, 6,000 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 51 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 31 Alaskan communities with connections to Bellingham and Prince Rupert. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of 7,800 light and heavy-duty vehicles and attachments for state departments, agencies and offices.

# ALASKA STATE LEGISLATURE

## Twenty-Third Legislature, Second Session (2004)

| Senate District | Senator (Party)        | City        | House District | Representative (Party)      | City        |
|-----------------|------------------------|-------------|----------------|-----------------------------|-------------|
| A               | Bert Stedman (R)       | Sitka       | 1              | William "Bill" Williams (R) | Saxman      |
|                 |                        |             | 2              | Peggy Wilson (R)            | Wrangell    |
| B               | Kim Elton (D)          | Juneau      | 3              | Beth Kerttula (D)           | Juneau      |
|                 |                        |             | 4              | Bruce Weyhrauch (R)         | Juneau      |
| C               | Georgianna Lincoln (D) | Rampart     | 5              | Albert Kookesh (D)          | Angoon      |
|                 |                        |             | 6              | Carl Morgan, Jr. (R)        | Aniak       |
| D               | Ralph Seekins (R)      | Fairbanks   | 7              | Hugh "Bud" Fate (R)         | Fairbanks   |
|                 |                        |             | 8              | David Guttenberg (D)        | Fairbanks   |
| E               | Gary Wilken (R)        | Fairbanks   | 9              | James "Jim" Holm (R)        | Fairbanks   |
|                 |                        |             | 10             | Nick Stepovich (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             | Vic Kohring (R)             | Wasilla     |
| H               | Scott Ogan (R)         | Palmer      | 15             | Beverly Masek (R)           | Willow      |
|                 |                        |             | 16             | Bill Stoltze (R)            | Chugiak     |
| I               | Fred Dyson (R)         | Eagle River | 17             | Pete Kott (R)               | Eagle River |
|                 |                        |             | 18             | Nancy Dahlstrom (R)         | Anchorage   |
| J               | Gretchen Guess (D)     | Anchorage   | 19             | Tom Anderson (R)            | Anchorage   |
|                 |                        |             | 20             | Max Gruenberg, Jr. (D)      | Anchorage   |
| K               | Bettye Davis (D)       | Anchorage   | 21             | Harry Crawford, Jr. (D)     | Anchorage   |
|                 |                        |             | 22             | Sharon Cissna (D)           | Anchorage   |
| L               | Johnny Ellis (D)       | Anchorage   | 23             | Les Gara (D)                | Anchorage   |
|                 |                        |             | 24             | Cheryll Heinze (R)          | Anchorage   |
| M               | Hollis French, II (D)  | Anchorage   | 25             | Eric Croft (D)              | Anchorage   |
|                 |                        |             | 26             | Ethan Berkowitz (D)         | Anchorage   |
| N               | Ben Stevens (R)        | Anchorage   | 27             | Norman Rokeberg (R)         | Anchorage   |
|                 |                        |             | 28             | Lesil McGuire (R)           | Anchorage   |
| O               | John Cowdery (R)       | Anchorage   | 29             | Ralph Samuels (R)           | Anchorage   |
|                 |                        |             | 30             | Kevin Meyer (R)             | Anchorage   |
| P               | Con Bunde (R)          | Anchorage   | 31             | Bob Lynn (R)                | Anchorage   |
|                 |                        |             | 32             | Mike Hawker (R)             | Anchorage   |
| Q               | Thomas Wagoner (R)     | Kenai       | 33             | Kelly Wolf (R)              | Kenai       |
|                 |                        |             | 34             | Mike Chenault (R)           | Nikiski     |
| R               | Gary Stevens (R)       | Kodiak      | 35             | Paul Seaton (R)             | Homer       |
|                 |                        |             | 36             | Dan Ogg (R)                 | Kodiak      |
| S               | Lyman Hoffman (D)      | Bethel      | 37             | Carl Moses (D)              | Unalaska    |
|                 |                        |             | 38             | Mary Kapsner (D)            | Bethel      |
| T               | Donald Olson (D)       | Nome        | 39             | Richard Foster (D)          | Nome        |
|                 |                        |             | 40             | Reggie Joule (D)            | Kotzebue    |

### LEADERSHIP

**STATE SENATE**  
Gene Therriault, Senate President

**HOUSE OF REPRESENTATIVES**  
Pete Kott, House Speaker

### FINANCE COMMITTEES

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

**HOUSE OF REPRESENTATIVES**  
John Harris, Co-Chair  
Bill Williams, Co-Chair  
Kevin Meyer, Vice-Chair

**Members:**  
Fred Dyson, Ben Stevens,  
Lyman Hoffman, and Donald Olson

**Members:**  
Mike Chenault, Hugh "Bud" Fate, Richard Foster,  
Mike Hawker, Bill Stoltze, Eric Croft,  
Reggie Joule, and Carl Moses



# 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, 2004, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and the Component Units, except for the Alaska Science and Technology Foundation and the Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the government-wide financial statements and total assets, fund balances and revenues or additions to the fund financial statements as follows:

| <u>Government-wide Financial Statements</u>                 | <u>Percent<br/>of Assets</u> | <u>Percent of<br/>Net Assets/<br/>Fund Balance</u> | <u>Percent of<br/>Revenues</u> |
|---|------------------------------|--|--------------------------------|
| Primary Government – Governmental Activities                | 77%                          | 78%  | 44%                            |
| Component Units   | 96%                          | 92%  | 95%                            |
| <br><u>Fund Financial Statements</u>                        |                              |  |                                |
| Governmental Funds – Alaska Permanent Fund                  | 100%                         | 100%   | 100%                           |
| Fiduciary Funds – Pension and Other Employee<br>Trust Funds | 100%                         | 100%   | 100%                           |
| Component Units   | 96%                          | 92%  | 95%                            |

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units and funds, is based on the reports of other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

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

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

Pat Davidson, CPA  
Legislative Auditor

November 30, 2004

## 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, 2004. 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 04 by \$36.1 billion (net assets). Of this amount, \$4.4 billion is invested in capital assets, \$27.3 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$26.5 billion), and unrestricted net assets are \$4.4 billion. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$3.3 billion. This increase is primarily attributable to the net increase in the fair value of investments 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 \$31.7 billion, with \$784 million unreserved fund balance deficit and a fund balance reserved for specific purposes of \$32.4 billion. The Alaska Permanent Fund principal is \$26.5 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the general fund) is \$5.1 billion, with the balance reserved for encumbrances, debt, and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit of \$1.9 billion.

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

- The state's total long-term debt decreased by \$13 million (1 percent) during the current fiscal year. The key factor in this decrease is related to capital leases payable activity.

### **Overview of the Financial Statements**

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the state's basic financial statements. The state's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 ten 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 and 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 project 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 96.1 percent of total government-wide cash and investments and 85.4 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 (created by law) within the general fund. In addition, as a result of implementing GASBS 34 in FY 02, several funds previously classified as other fund types are now included as a part of the general fund. Two of the most notable funds are the Constitutional Budget Reserve Fund and the Permanent Fund Dividend Fund. Because of materiality and public interest in these two 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 its international airports operations, its 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 14.2 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 Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found 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 budgetary comparison schedules 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 \$36.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (75.9 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 (\$26.5 billion) may not be spent.

The remainder of the state's net assets (24.1 percent) represents amounts invested in capital assets net of related debt (\$4.4 billion), resources that are subject to external restrictions of how they may be used (\$0.8 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$3.5 billion).

**Net Assets**  
 (Stated in millions)

|  | Governmental<br>Activities |                  | Business-type<br>Activities |                 | Total<br>Primary Government |                  |
|--|----------------------------|------------------|-----------------------------|-----------------|-----------------------------|------------------|
|  | FY 2004                    | FY 2003          | FY 2004                     | FY 2003         | FY 2004                     | FY 2003          |
| Current and other noncurrent assets                | \$ 33,596                  | \$ 29,616        | \$ 932                      | \$ 936          | \$ 34,528                   | \$ 30,552        |
| Capital Assets                                     | 4,264                      | 4,116            | 702                         | 576             | 4,966                       | 4,692            |
| <b>Total assets</b>                                | <b>37,860</b>              | <b>33,732</b>    | <b>1,634</b>                | <b>1,512</b>    | <b>39,494</b>               | <b>35,244</b>    |
| Long-term liabilities                              | 1,324                      | 1,398            | 427                         | 366             | 1,751                       | 1,764            |
| Other liabilities                                  | 1,618                      | 686              | 18                          | 18              | 1,636                       | 704              |
| <b>Total liabilities</b>                           | <b>2,942</b>               | <b>2,084</b>     | <b>445</b>                  | <b>384</b>      | <b>3,387</b>                | <b>2,468</b>     |
| Net assets:  |                            |                  |                             |                 |                             |                  |
| Invested in capital assets,<br>net of related debt | 3,922                      | 3,724            | 451                         | 415             | 4,373                       | 4,139            |
| Restricted   | 26,929                     | 24,473           | 430                         | 412             | 27,359                      | 24,885           |
| Unrestricted                                       | 4,067                      | 3,451            | 308                         | 301             | 4,375                       | 3,752            |
| <b>Total net assets</b>                            | <b>\$ 34,918</b>           | <b>\$ 31,648</b> | <b>\$ 1,189</b>             | <b>\$ 1,128</b> | <b>\$ 36,107</b>            | <b>\$ 32,776</b> |

The net assets of governmental activities increased \$3,462 million and business-type activities increased \$65 million, before prior period adjustments. The increase for governmental activities is primarily due to the increase in Alaska Permanent Fund net assets. The increase in business-type activities is primarily due to the increase in net assets of the International Airports, Alaska Clean Water, and Alaska Drinking Water funds (enterprise funds) resulting from capital contributions.

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 04.



|   | <b>Changes in Net Assets</b> |                  |                             |                 |                             |                  |
|---|------------------------------|------------------|-----------------------------|-----------------|-----------------------------|------------------|
|   | (Stated in millions)         |                  |                             |                 |                             |                  |
|   | Governmental<br>Activities   |                  | Business-type<br>Activities |                 | Total Primary<br>Government |                  |
|   | FY 2004                      | FY 2003          | FY 2004                     | FY 2003         | FY 2004                     | FY 2003          |
| <b>Revenues</b>   |                              |                  |                             |                 |                             |                  |
| Program Revenues  |                              |                  |                             |                 |                             |                  |
| Charges for services                                    | \$ 1,678                     | \$ 1,529         | \$ 247                      | \$ 247          | \$ 1,925                    | \$ 1,776         |
| Operating grants  | 1,422                        | 1,303            | 13                          | 18              | 1,435                       | 1,321            |
| Capital grants  | 625                          | 612              | 80                          | 53              | 705                         | 665              |
| General revenues  |                              |                  |                             |                 |                             |                  |
| Taxes   | 1,275                        | 1,063            | -                           | -               | 1,275                       | 1,063            |
| Interest & investment earnings                          | 928                          | 1,066            | 1                           | 7               | 929                         | 1,073            |
| Net Increase/(Decrease) in Fair Value<br>of Investments | 2,634                        | 139              | -                           | -               | 2,634                       | 139              |
| Other   | 82                           | 32               | -                           | 1               | 82                          | 33               |
| <b>Total revenues</b>                                   | <b>8,644</b>                 | <b>5,744</b>     | <b>341</b>                  | <b>326</b>      | <b>8,985</b>                | <b>6,070</b>     |
| <b>Expenses</b>   |                              |                  |                             |                 |                             |                  |
| General government                                      | 228                          | 279              | -                           | -               | 228                         | 279              |
| Alaska Permanent Fund Dividend                          | 660                          | 909              | -                           | -               | 660                         | 909              |
| Education & University                                  | 1,318                        | 1,179            | -                           | -               | 1,318                       | 1,179            |
| Health & human services                                 | 1,661                        | 1,554            | -                           | -               | 1,661                       | 1,554            |
| Law & justice   | 131                          | 130              | -                           | -               | 131                         | 130              |
| Public protection                                       | 421                          | 458              | -                           | -               | 421                         | 458              |
| Natural resources                                       | 225                          | 206              | -                           | -               | 225                         | 206              |
| Development   | 128                          | 143              | -                           | -               | 128                         | 143              |
| Transportation  | 393                          | 418              | -                           | -               | 393                         | 418              |
| Intergovernmental                                       | 52                           | 65               | -                           | -               | 52                          | 65               |
| Debt service  | 33                           | 20               | -                           | -               | 33                          | 20               |
| Interest expense  | -                            | -                | -                           | -               | -                           | -                |
| Loans   | -                            | -                | 5                           | 9               | 5                           | 9                |
| Unemployment compensation                               | -                            | -                | 185                         | 192             | 185                         | 192              |
| Airports  | -                            | -                | 82                          | 78              | 82                          | 78               |
| <b>Total expenses</b>                                   | <b>5,250</b>                 | <b>5,361</b>     | <b>272</b>                  | <b>279</b>      | <b>5,522</b>                | <b>5,640</b>     |
| Excess (deficiency)                                     |                              |                  |                             |                 |                             |                  |
| Payments from component units                           | 59                           | 81               | -                           | -               | 59                          | 81               |
| Transfers   | 4                            | 3                | (4)                         | (3)             | -                           | -                |
| Special Items:  |                              |                  |                             |                 |                             |                  |
| ITBE/ASTF Liquidation                                   | 5                            | 97               | -                           | -               | 5                           | 97               |
| Interest Earned on Grants<br>Administered by AIDEA      | -                            | 30               | -                           | -               | -                           | 30               |
| Airport's Arbitrage Rebate                              | -                            | -                | -                           | (5)             | -                           | (5)              |
| Increase(decrease) in net assets                        | 3,462                        | 594              | 65                          | 39              | 3,527                       | 633              |
| Net assets - beginning                                  | 31,648                       | 31,034           | 1,128                       | 1,100           | 32,776                      | 32,134           |
| Prior period adjustment                                 | (192)                        | 20               | (4)                         | (11)            | (196)                       | 9                |
| <b>Net Assets - ending</b>                              | <b>\$ 34,918</b>             | <b>\$ 31,648</b> | <b>\$ 1,189</b>             | <b>\$ 1,128</b> | <b>\$ 36,107</b>            | <b>\$ 32,776</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 \$31.7 billion, an increase of \$3,007 million in comparison with the prior year. The unreserved fund balance, which is normally available for spending at the government's discretion was a deficit balance of \$784 million, consisting of a deficit of \$1.9 billion in the general fund, \$859 million in the Alaska Permanent Fund (earnings reserve account), \$228 million in capital project funds, and \$59 million for other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the Alaska Permanent Fund (\$26.5 billion), 2) for the Constitutional Budget Reserve Fund (\$5.1 billion), 3) to liquidate contracts and purchase orders of the prior period (\$374 million), or 4) for a variety of other restricted purposes (\$370 million).

The general fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the general fund was a deficit of \$1.9 billion, while total fund balance reached \$3.4 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, which is a deficit, represents 36 percent of total general fund expenditures, while total fund balance represents 63 percent of that same amount.

The fund balance of the state's general fund decreased by \$110 million during the current fiscal year. The key factor in this decrease is expenditures of \$5.4 billion exceeded general fund revenues and other fund sources, resulting in appropriated borrowing of \$11 million from the Constitutional Budget Reserve Fund.

General fund revenues for FY 04 were \$4.7 billion, an increase of \$486 million compared to revenues of \$4.2 billion for FY 03. Revenues by source for FY 04 are compared to FY 03 in the following schedule (in millions):

| <u>Revenue Source</u>                                    | <u>FY 04</u>      | <u>Percent</u> | <u>FY 03</u>      | <u>Percent</u> |
|--|-------------------|----------------|-------------------|----------------|
| Taxes  | \$ 1,242.6        | 26.6           | \$ 1,032.1        | 24.7           |
| Rents and Royalties                                      | 1,068.6           | 22.8           | 848.3             | 20.2           |
| Interest & Investment Income                             | 107.6             | 2.3            | 142.2             | 3.4            |
| Net Increase (Decrease) in the Fair Value of Investments | (33.8)            | (0.7)          | 60.5              | 1.4            |
| Federal  | 1,918.6           | 41.0           | 1,749.0           | 41.7           |
| Miscellaneous  | 376.0             | 8.0            | 361.5             | 8.6            |
| <b>Total Revenue</b>                                     | <b>\$ 4,679.6</b> | <b>100.0</b>   | <b>\$ 4,193.6</b> | <b>100.0</b>   |

The primary components of this revenue increase are petroleum-related taxes and royalties (\$401 million) and federal revenues (\$170 million).

### **Alaska Permanent Fund**

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

In 1976 the Alaska Constitution was amended to provide that:

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state shall be placed in a Permanent Fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for Permanent Fund investments. All income from the Permanent Fund shall be deposited in the general fund unless otherwise provided by law.

The fund is made up of two parts.

- Reserved Net Assets:** The fund reserved net assets, or principal, includes the contributions and appropriations, which are the main body of the trust. At June 30, 2004, this amounted to \$23.5 billion. The sources of contributions and appropriations of the fund were as follows: \$8.1 billion in dedicated mineral revenues; \$8.5 billion of fund realized earnings added to principal for inflation proofing; and \$6.9 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved assets of the fund (see 2003 Attorney General Opinion, June 18; 663-03-0153). The balance of the unrealized appreciation at the end of the fiscal year amounted to \$3.0 billion.

- Unreserved Net Assets:** The fund unreserved net assets, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2004, realized earnings have amounted to \$27.0 billion. Of this amount \$13.1 billion has been paid out for dividends, \$8.4 billion has been added to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$.3 billion has been paid out to the general fund, and \$858.5 million remains in the fund in the realized earnings account.

**General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was a \$544 million increase in appropriations (or 6 percent) and can be briefly summarized as follows:

- \$133 million allocated to health and human services function
- \$41 million allocated to natural resources function
- \$245 million allocated to transportation
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$272 million was to be funded out of an increase in federal grants in aid, another \$253 million from interagency receipts, with the balance coming from other financing sources. During the year, however, revenues were less than budgetary estimates and although expenditures were less than budgetary estimates, the state still needed to draw a total of \$11 million from the CBRF in accordance with chapter 159, SLA 2004, section 61(b).

**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, 2004, amounts to \$4.4 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 04 totaled \$80 million for governmental activities and \$27 million for business-type activities.

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

|                             | Governmental Activities |                 | Business-type Activities |               | Total Primary Government |                 |
|-----------------------------|-------------------------|-----------------|--------------------------|---------------|--------------------------|-----------------|
|                             | FY 2004                 | FY 2003         | FY 2004                  | FY 2003       | FY 2004                  | FY 2003         |
| Land                        | \$ 670                  | \$ 659          | \$ 30                    | \$ 29         | \$ 700                   | \$ 688          |
| Buildings                   | 669                     | 703             | 187                      | 191           | 856                      | 894             |
| Equipment                   | 341                     | 280             | 16                       | 14            | 357                      | 294             |
| Infrastructure              | 397                     | 332             | 218                      | 192           | 615                      | 524             |
| Construction in progress    | 2,187                   | 2,142           | 251                      | 150           | 2,438                    | 2,292           |
| <b>Total capital assets</b> | <b>\$ 4,264</b>         | <b>\$ 4,116</b> | <b>\$ 702</b>            | <b>\$ 576</b> | <b>\$ 4,966</b>          | <b>\$ 4,692</b> |

Additional information on the state's capital assets can be found in note 5 in the notes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,133 million. Of this amount, \$493 million was general obligation bonds, and \$218 million comprises revenue bonds issued by the Northern Tobacco Securitization Corporation (NTSC). The general obligation bonds are secured by the full faith, credit, and resources

of the state, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The remaining \$422 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation and NTSC bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

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

|                               | Governmental<br>Activities |                 | Business-type<br>Activities |               | Total Primary<br>Government |                 |
|-------------------------------|----------------------------|-----------------|-----------------------------|---------------|-----------------------------|-----------------|
|                               | FY 2004                    | FY 2003         | FY 2004                     | FY 2003       | FY 2004                     | FY 2003         |
| Revenue bonds payable         | \$ 218                     | \$ 225          | \$ 422                      | \$ 357        | \$ 640                      | \$ 582          |
| General obligation debt       | 493                        | 500             | -                           | -             | 493                         | 500             |
| Notes payable                 | 3                          | 5               | -                           | -             | 3                           | 5               |
| Capital leases payable        | 194                        | 272             | -                           | -             | 194                         | 272             |
| Deferred revenues & advances  | 194                        | 179             | 5                           | 4             | 199                         | 183             |
| Certificates of participation | 30                         | 16              | -                           | -             | 30                          | 16              |
| Compensated absences          | 117                        | 114             | -                           | -             | 117                         | 114             |
| Claims and judgments          | 74                         | 84              | -                           | -             | 74                          | 84              |
| Other noncurrent liabilities  | 1                          | 3               | -                           | 5             | 1                           | 8               |
| <b>Total</b>                  | <b>\$ 1,324</b>            | <b>\$ 1,398</b> | <b>\$ 427</b>               | <b>\$ 366</b> | <b>\$ 1,751</b>             | <b>\$ 1,764</b> |

The state's total debt decreased by \$13 million (1%) during the current fiscal year. The decrease was primarily due to a refinement in methodology for defining leases as capital or operating.

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

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

- The unemployment rate for the State of Alaska at fiscal year end was 7.6 percent, which is lower than the rate a year ago. The United States unemployment rate at fiscal year end was 6.0 percent. The state's average unemployment rate for FY 04 was 7.6 percent, which compares favorably to the average unemployment rate for FY 03 of 8.0 percent and is not very different from the five year average (2000 to 2004) of 7.2 percent.
- The state's major source of unrestricted revenue for the general fund is petroleum related, which makes up 44 percent of total revenue, with federal revenue making up another 41 percent, and the balance coming from other sources. As a result, the state's budget is structured around these two revenue sources. However, oil production revenues have not kept pace with appropriated spending. This has resulted in appropriated borrowing from the Constitutional Budget Reserve Fund. Although federal revenues have increased, these funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the state budget.
- FY 04 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 1.010 million barrels per day, which is a 1.1 percent decrease from FY 03 production of 1.021. FY 04 production, compared to peak production of 2.049 million barrels per day in FY 88, has dropped by 50.7 percent.

The primary factors considered in preparing the state's budget for FY 05 are the price of oil and the decline in production. With state unrestricted revenue anticipated to be less than needed for the budget, funds were appropriated from the budget reserve fund (a subfund of the general fund) to balance the FY 05 budget. The price of oil is volatile and has risen beyond the projections underlying the adopted budget.

The State of Alaska FY 04 budgeted expenditures do include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$1,108/resident, total \$661 million in FY 04), 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, 2004  
(Stated in Thousands)

STATEMENT 1.01

|   | Primary Government      |                          | Total                | Component Units     |
|---|-------------------------|--------------------------|----------------------|---------------------|
|   | Governmental Activities | Business-type Activities |                      |                     |
| <b>ASSETS</b>   |                         |                          |                      |                     |
| Cash and Investments                                      | \$ 32,565,207           | \$ 437,401               | \$ 33,002,608        | \$ 1,620,891        |
| Accounts Receivable - Net                                 | 311,981                 | 17,818                   | 329,799              | 69,212              |
| Interest and Dividends Receivable                         | 124,010                 | 29,756                   | 153,766              | 35,337              |
| Internal Balances   | 46,551                  | (46,551)                 | 0                    |                     |
| Due from Primary Government                               |                         |                          | 0                    | 7,793               |
| Due from Component Units                                  | 9,814                   |                          | 9,814                | 2,102               |
| Due from Other Governments                                | 469,327                 | 12,763                   | 482,090              | 10,223              |
| Loans, Notes, and Bonds Receivable                        | 15,983                  | 271,483                  | 287,466              | 4,071,135           |
| Inventories   | 13,205                  |                          | 13,205               | 17,990              |
| Repossessed Property                                      |                         | 2,489                    | 2,489                |                     |
| Net Investment in Direct Financing Leases                 |                         |                          | 0                    | 310,063             |
| Investments in Projects, Partnerships,<br>or Corporations |                         | 8,037                    | 8,037                | 55,274              |
| Restricted Assets   | 16,035                  | 197,258                  | 213,293              | 1,988,806           |
| Other Assets  | 24,141                  | 1,240                    | 25,381               | 141,564             |
| Capital Assets:   |                         |                          |                      |                     |
| Equipment, Net of Depreciation                            | 340,246                 | 15,506                   | 355,752              | 210,514             |
| Buildings, Net of Depreciation                            | 669,967                 | 187,130                  | 857,097              | 616,929             |
| Infrastructure, Net of Depreciation                       | 396,744                 | 218,519                  | 615,263              | 459,269             |
| Land  | 670,658                 | 29,779                   | 700,437              | 61,711              |
| Construction in Progress                                  | 2,186,722               | 251,039                  | 2,437,761            | 241,627             |
| Total Assets  | <u>37,860,591</u>       | <u>1,633,667</u>         | <u>39,494,258</u>    | <u>9,920,440</u>    |
| <b>LIABILITIES</b>  |                         |                          |                      |                     |
| Accounts Payable and Accrued Liabilities                  | 1,603,219               | 6,063                    | 1,609,282            | 88,948              |
| Due to Primary Government                                 |                         |                          | 0                    | 90,004              |
| Due to Component Units                                    | 3,854                   |                          | 3,854                | 763                 |
| Due to Other Governments                                  | 325                     | 4,759                    | 5,084                | 4                   |
| Interest Payable  | 11,087                  | 6,104                    | 17,191               | 40,820              |
| Other Current Liabilities                                 | 6                       | 710                      | 716                  | 104,602             |
| Long-term Liabilities:                                    |                         |                          |                      |                     |
| Portion Due or Payable Within One Year:                   |                         |                          |                      |                     |
| Claims, Judgments, and                                    |                         |                          |                      |                     |
| Compensated Absences                                      | 144,943                 | 39                       | 144,982              | 558                 |
| Unearned and Deferred Revenue                             | 186,035                 | 4,412                    | 190,447              | 16,417              |
| Notes, Bonds, and Leases Payable                          | 56,707                  | 12,138                   | 68,845               | 226,682             |
| Other Long-term Debt                                      |                         |                          | 0                    | 5,030               |
| Other Noncurrent Liabilities                              | 530                     |                          | 530                  | 17,258              |
| Portion Due or Payable After One Year:                    |                         |                          |                      |                     |
| Claims, Judgments, and                                    |                         |                          |                      |                     |
| Compensated Absences                                      | 45,733                  |                          | 45,733               |                     |
| Unearned and Deferred Revenue                             | 7,944                   |                          | 7,944                | 288,904             |
| Notes, Bonds, and Leases Payable                          | 882,219                 | 410,003                  | 1,292,222            | 4,195,779           |
| Other Long-term Debt                                      |                         |                          | 0                    | 6,006               |
| Other Noncurrent Liabilities                              | 314                     | 334                      | 648                  | 49,235              |
| Total Liabilities   | <u>2,942,916</u>        | <u>444,562</u>           | <u>3,387,478</u>     | <u>5,131,010</u>    |
| <b>NET ASSETS</b>   |                         |                          |                      |                     |
| Invested in Capital Assets,<br>Net of Related Debt        | 3,921,815               | 451,273                  | 4,373,088            | 1,065,942           |
| Restricted for:   |                         |                          |                      |                     |
| Permanent Funds   |                         |                          |                      |                     |
| Nonexpendable   | 26,829,238              |                          | 26,829,238           | 303,759             |
| Expendable  | 11,214                  |                          | 11,214               | 72,818              |
| Education   | 12,721                  |                          | 12,721               | 474,055             |
| Conservation, Environment,<br>and Natural Resources       | 27,824                  |                          | 27,824               |                     |
| Unemployment Compensation                                 |                         | 180,625                  | 180,625              |                     |
| Debt Service  | 23,397                  | 12,149                   | 35,546               | 719,761             |
| Other Purposes  | 24,685                  | 236,826                  | 261,511              | 599,079             |
| Unrestricted  | 4,066,781               | 308,232                  | 4,375,013            | 1,554,016           |
| Total Net Assets  | <u>\$ 34,917,675</u>    | <u>\$ 1,189,105</u>      | <u>\$ 36,106,780</u> | <u>\$ 4,789,430</u> |

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, 2004**  
**(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                                 | \$ 227,516          | \$ 13,048                                      | \$ 25,738                          | \$ 2,756                         |
| Alaska Permanent Fund Dividend                     | 660,471             |  |                                    |                                  |
| Education  | 1,072,194           | 2,329  | 176,259                            | 893                              |
| University   | 246,101             |  | 72                                 |                                  |
| Health and Human Services                          | 1,661,454           | 23,086   | 1,001,549                          | 65,130                           |
| Law and Justice                                    | 131,179             | 8,625  | 14,087                             | 1                                |
| Public Protection                                  | 420,476             | 134,087  | 54,974                             | 15,102                           |
| Natural Resources                                  | 225,167             | 1,446,144                                      | 62,654                             | 43,735                           |
| Development  | 128,254             | 3,719  | 73,970                             | 7,667                            |
| Transportation                                     | 392,737             | 46,774   | 1,409                              | 489,551                          |
| Intergovernmental Revenue Sharing                  | 52,303              |  | 8,781                              |                                  |
| Debt Service                                       | 32,763              |  | 2,772                              |                                  |
| <b>Total Governmental Activities</b>               | <b>5,250,615</b>    | <b>1,677,812</b>                               | <b>1,422,265</b>                   | <b>624,835</b>                   |
| Business-type Activities:                          |                     |  |                                    |                                  |
| Loans  | 4,980               | 10,333   | 1,602                              | 27,718                           |
| Unemployment Compensation                          | 185,342             | 160,762  | 11,114                             |                                  |
| Airports   | 81,475              | 76,467   | 613                                | 49,814                           |
| Development  | 77                  |  |                                    | 2,183                            |
| <b>Total Business-type Activities</b>              | <b>271,874</b>      | <b>247,562</b>                                 | <b>13,329</b>                      | <b>79,715</b>                    |
| <b>Total Primary Government</b>                    | <b>\$ 5,522,489</b> | <b>\$ 1,925,374</b>                            | <b>\$ 1,435,594</b>                | <b>\$ 704,550</b>                |
| <b>Component Units:</b>                            |                     |  |                                    |                                  |
| University of Alaska                               | \$ 555,542          | \$ 111,971                                     | \$ 187,194                         | \$ 24,907                        |
| Alaska Housing Finance Corporation                 | 329,696             | 212,409  | 44,701                             | 11,383                           |
| Alaska Industrial Development and Export Authority | 47,329              | 43,685   | 914                                | 85                               |
| Nonmajor Component Units                           | 357,951             | 188,408  | 79,503                             | 36,027                           |
| <b>Total Component Units</b>                       | <b>\$ 1,290,518</b> | <b>\$ 556,473</b>                              | <b>\$ 312,312</b>                  | <b>\$ 72,402</b>                 |

General Revenues:

|  |
|--|
| Taxes:   |
| Severance Taxes  |
| Selective Sales/Use                                      |
| Income Taxes   |
| Property Taxes   |
| Other Taxes  |
| Interest and Investment Earnings                         |
| Tobacco Settlement                                       |
| Net Increase (Decrease) in the Fair Value of Investments |
| Payments In from Component Units                         |
| Payments In from Primary Government                      |
| Other Revenues   |
| Transfers - Internal Activity                            |
| Special Items:   |
| International Trade and Business Endowment Liquidation   |
| Early Bond Redemption Costs                              |
| Total General Revenues, Transfers, and Special Items     |
| Change in Net Assets                                     |
| Net Assets - Beginning of Year                           |
| Prior Period Adjustment                                  |
| Changes in Accounting Principles                         |
| Net Assets - End of Year                                 |

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

STATEMENT 1.02

| Net (Expense) Revenue and<br>Changes in Net Assets |                             |                      |                     |
|--|-----------------------------|----------------------|---------------------|
| Primary Government                                 |                             |                      |                     |
| Governmental<br>Activities                         | Business-type<br>Activities | Total                | Component<br>Units  |
| \$ (185,974)                                       | \$                          | \$ (185,974)         | \$                  |
| (660,471)  |                             | (660,471)            |                     |
| (892,713)  |                             | (892,713)            |                     |
| (246,029)  |                             | (246,029)            |                     |
| (571,689)  |                             | (571,689)            |                     |
| (108,466)  |                             | (108,466)            |                     |
| (216,313)  |                             | (216,313)            |                     |
| 1,327,366  |                             | 1,327,366            |                     |
| (42,898)   |                             | (42,898)             |                     |
| 144,997  |                             | 144,997              |                     |
| (43,522)   |                             | (43,522)             |                     |
| (29,991)   |                             | (29,991)             |                     |
| <u>(1,525,703)</u>                                 |                             | <u>(1,525,703)</u>   |                     |
|  | 34,673                      | 34,673               |                     |
|  | (13,466)                    | (13,466)             |                     |
|  | 45,419                      | 45,419               |                     |
|  | 2,106                       | 2,106                |                     |
|  | <u>68,732</u>               | <u>68,732</u>        |                     |
| <u>(1,525,703)</u>                                 | <u>68,732</u>               | <u>(1,456,971)</u>   |                     |
|  |                             |                      | (231,470)           |
|  |                             |                      | (61,203)            |
|  |                             |                      | (2,645)             |
|  |                             |                      | <u>(54,013)</u>     |
|  |                             |                      | <u>(349,331)</u>    |
| 697,394  |                             | 697,394              |                     |
| 180,354  |                             | 180,354              |                     |
| 339,270  |                             | 339,270              |                     |
| 47,416   |                             | 47,416               |                     |
| 10,979   |                             | 10,979               |                     |
| 927,426  | 1,067                       | 928,493              | 103,270             |
| 21,439   |                             | 21,439               |                     |
| 2,634,421  |                             | 2,634,421            | 4,647               |
| 58,846   |                             | 58,846               | 27,755              |
|  |                             | 0                    | 254,012             |
| 60,781   |                             | 60,781               | 4,759               |
| 4,306  | (4,306)                     | 0                    |                     |
| 4,829  |                             | 4,829                | (4,829)             |
|  |                             | 0                    | (7,451)             |
| 4,987,461  | (3,239)                     | 4,984,222            | 382,163             |
| 3,461,758  | 65,493                      | 3,527,251            | 32,832              |
| 31,648,204   | 1,127,540                   | 32,775,744           | 4,643,462           |
| (192,287)  | (3,928)                     | (196,215)            |                     |
|  |                             | 0                    | 113,136             |
| <u>\$ 34,917,675</u>                               | <u>\$ 1,189,105</u>         | <u>\$ 36,106,780</u> | <u>\$ 4,789,430</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 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 the Alaska Permanent Fund.

## NONMAJOR FUNDS

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

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



STATE OF ALASKA  
 Balance Sheet  
 Governmental Funds  
 June 30, 2004  
 (Stated in Thousands)

STATEMENT 1.11

|  | General<br>Fund     | Alaska<br>Permanent<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------|-------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                             |                   |                                |
| Cash and Investments                       | \$ 2,835,680        | \$ 28,877,969               | \$ 826,524        | \$ 32,540,173                  |
| Accounts Receivable - Net                  | 181,270             | 122,415                     | 7,616             | 311,301                        |
| Interest and Dividends Receivable          | 1,888               | 121,147                     | 975               | 124,010                        |
| Due from Other Funds                       | 633,575             |                             | 741               | 634,316                        |
| Due from Component Units                   | 6,990               |                             | 2,819             | 9,809                          |
| Due from Other Governments                 | 467,289             |                             |                   | 467,289                        |
| Loans, Notes, and Bonds Receivable         | 15,922              |                             | 61                | 15,983                         |
| Inventories                                | 9,822               |                             |                   | 9,822                          |
| Other Assets                               | 17,487              |                             | 41                | 17,528                         |
| <b>Total Assets</b>                        | <b>\$ 4,169,923</b> | <b>\$ 29,121,531</b>        | <b>\$ 838,777</b> | <b>\$ 34,130,231</b>           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                             |                   |                                |
| Liabilities:                               |                     |                             |                   |                                |
| Accounts Payable and Accrued Liabilities   | \$ 428,652          | \$ 1,140,445                | \$ 20,377         | \$ 1,589,474                   |
| Due to Other Funds                         | 11,266              | 581,246                     | 3,746             | 596,258                        |
| Due to Component Units                     | 3,841               |                             | 13                | 3,854                          |
| Due to Other Governments                   | 325                 |                             |                   | 325                            |
| Unearned and Deferred Revenue              | 285,441             |                             | 497               | 285,938                        |
| Other Liabilities                          | 535                 |                             | 315               | 850                            |
| <b>Total Liabilities</b>                   | <b>730,060</b>      | <b>1,721,691</b>            | <b>24,948</b>     | <b>2,476,699</b>               |
| Fund Balances:                             |                     |                             |                   |                                |
| Reserved:                                  |                     |                             |                   |                                |
| Encumbrances                               | 187,317             |                             | 186,729           | 374,046                        |
| Nonliquid Assets                           | 5,152,395           |                             |                   | 5,152,395                      |
| Debt Service                               |                     |                             | 52,168            | 52,168                         |
| Other Purposes                             | 29,808              | 26,541,300                  | 287,938           | 26,859,046                     |
| Unreserved:                                |                     |                             |                   |                                |
| General Fund                               | (1,929,657)         |                             |                   | (1,929,657)                    |
| Special Revenue Funds                      |                     |                             | 47,841            | 47,841                         |
| Capital Projects Funds                     |                     |                             | 227,982           | 227,982                        |
| Permanent Funds                            |                     | 858,540                     | 11,171            | 869,711                        |
| <b>Total Fund Balances</b>                 | <b>3,439,863</b>    | <b>27,399,840</b>           | <b>813,829</b>    | <b>31,653,532</b>              |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 4,169,923</b> | <b>\$ 29,121,531</b>        | <b>\$ 838,777</b> | <b>\$ 34,130,231</b>           |

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, 2004  
 (Stated in Thousands)

STATEMENT 1.12

**Total Fund Balances - Governmental Funds** \$ 31,653,532

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:

|                                     |                  |           |
|-------------------------------------|------------------|-----------|
| Land                                | 670,658          |           |
| Buildings, net of depreciation      | 634,431          |           |
| Equipment, net of depreciation      | 252,510          |           |
| Infrastructure, net of depreciation | 396,744          |           |
| Construction in progress            | <u>2,186,722</u> | 4,141,065 |

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)

156,213

Certain federal revenues are under appeal with the federal government are not available within the current period and therefore are not reported in the funds.

91,959

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                           | (193,173)       |           |
| Compensated absences                                | (113,490)       |           |
| Claims and judgments (net of federal reimbursement) | <u>(71,591)</u> | (378,254) |

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       | (741,047)       |           |
| Unamortized costs of issuance | 5,250           |           |
| Accrued interest payable      | <u>(11,043)</u> | (746,840) |

**Net Assets of Governmental Activities** \$ 34,917,675

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, 2004**  
**(Stated in Thousands)**

**STATEMENT 1.13**

|   | General<br>Fund     | Alaska<br>Permanent<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------|-------------------|--------------------------------|
| <b>REVENUES</b>   |                     |                             |                   |                                |
| Taxes   | \$ 1,242,542        | \$                          | \$ 32,871         | \$ 1,275,413                   |
| Licenses and Permits  | 90,590              |                             | 25,574            | 116,164                        |
| Charges for Services  | 183,909             |                             | 269               | 184,178                        |
| Fines and Forfeitures                                       | 17,537              |                             | 61                | 17,598                         |
| Rents and Royalties   | 1,068,587           | 350,686                     | 9,666             | 1,428,939                      |
| Premiums and Contributions                                  | 10,093              |                             | 7,891             | 17,984                         |
| Interest and Investment Income                              | 107,621             | 813,093                     | 17,220            | 937,934                        |
| Net Increase (Decrease) in the Fair<br>Value of Investments | (33,884)            | 2,668,343                   | 13,819            | 2,648,278                      |
| Federal Grants in Aid                                       | 1,918,616           |                             | 22,421            | 1,941,037                      |
| Nonfederal Grants and Contracts                             |                     |                             | 43                | 43                             |
| Payments In from Component Units                            | 58,846              |                             |                   | 58,846                         |
| Other Revenues  | 15,182              |                             | 17,181            | 32,363                         |
| Total Revenues  | <u>4,679,639</u>    | <u>3,832,122</u>            | <u>147,016</u>    | <u>8,658,777</u>               |
| <b>EXPENDITURES</b>   |                     |                             |                   |                                |
| Current:  |                     |                             |                   |                                |
| General Government  | 213,140             | 42,468                      | 1,599             | 257,207                        |
| Alaska Permanent Fund Dividend                              | 660,471             |                             |                   | 660,471                        |
| Education   | 952,849             |                             | 89,853            | 1,042,702                      |
| University  | 231,640             |                             | 14,528            | 246,168                        |
| Health and Human Services                                   | 1,699,916           |                             | 8,080             | 1,707,996                      |
| Law and Justice   | 133,283             | 1,477                       | 266               | 135,026                        |
| Public Protection   | 430,241             |                             | 1,020             | 431,261                        |
| Natural Resources   | 172,412             | 2,816                       | 51,904            | 227,132                        |
| Development   | 120,572             | 995                         | 10,885            | 132,452                        |
| Transportation  | 739,629             |                             | 24,374            | 764,003                        |
| Intergovernmental Revenue Sharing                           | 52,259              |                             |                   | 52,259                         |
| Debt Service:   |                     |                             |                   |                                |
| Principal   | 9,083               |                             | 6,485             | 15,568                         |
| Interest and Other Charges                                  | 3,019               |                             | 31,350            | 34,369                         |
| Total Expenditures  | <u>5,418,514</u>    | <u>47,756</u>               | <u>240,344</u>    | <u>5,706,614</u>               |
| Excess (Deficiency) of Revenues<br>Over Expenditures        | <u>(738,875)</u>    | <u>3,784,366</u>            | <u>(93,328)</u>   | <u>2,952,163</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |                     |                             |                   |                                |
| Bonds Issued  | 14,145              |                             |                   | 14,145                         |
| Capital Leases  | 15,615              |                             |                   | 15,615                         |
| Transfers In from Other Funds                               | 603,847             | 2,386                       | 8,017             | 614,250                        |
| Transfers (Out to) Other Funds                              | (13,340)            | (581,246)                   | (2,734)           | (597,320)                      |
| Total Other Financing Sources<br>and Uses                   | <u>620,267</u>      | <u>(578,860)</u>            | <u>5,283</u>      | <u>46,690</u>                  |
| <b>SPECIAL ITEMS</b>  |                     |                             |                   |                                |
| International Trade and Business Endowment Liquidation      | 4,829               |                             |                   | 4,829                          |
| Net Change in Fund Balances                                 | (113,779)           | 3,205,506                   | (88,045)          | 3,003,682                      |
| Fund Balances - Beginning of Year                           | 3,550,077           | 24,194,334                  | 901,870           | 28,646,281                     |
| Prior Period Adjustment                                     | 3,565               |                             | 4                 | 3,569                          |
| Fund Balances - End of Year                                 | <u>\$ 3,439,863</u> | <u>\$ 27,399,840</u>        | <u>\$ 813,829</u> | <u>\$ 31,653,532</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, 2004  
 (Stated in Thousands)

STATEMENT 1.14

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,007,251

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 5). See Note 3 for prior period adjustments (PPA).

|                                      |          |         |
|--------------------------------------|----------|---------|
| Land, net of PPA                     | 11,914   |         |
| Buildings, net of PPA                | (32,190) |         |
| Equipment, net of PPA                | 59,167   |         |
| Infrastructure, net of PPA           | 64,399   |         |
| Construction in progress, net of PPA | 44,886   |         |
|                                      |          | 148,176 |

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

|                          |       |       |
|--------------------------|-------|-------|
| Net current year revenue | 2,893 |       |
| Prior period adjustment  | 4,930 |       |
|                          |       | 7,823 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. 28,798

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

|                                  |          |         |
|----------------------------------|----------|---------|
| Bond proceeds                    | (14,145) |         |
| Accrued interest, net of PPA     | 610      |         |
| Repayment of bond principal      | 6,485    |         |
| Amortization of bond issue costs | (527)    |         |
|                                  |          | (7,577) |

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. (15,614)

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               | 9,880   |         |
| Compensated absences               | (2,879) |         |
| Capital lease payments, net of PPA | 93,613  |         |
|                                    |         | 100,614 |

**Change in Net Assets of Governmental Activities** \$ 3,269,471

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, 2004  
(Stated in Thousands)

STATEMENT 1.21

|  | Enterprise Funds          |                                 |              | Internal<br>Service Funds |
|--|---------------------------|---------------------------------|--------------|---------------------------|
|  | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total        |                           |
| <b>ASSETS</b>  |                           |                                 |              |                           |
| Current Assets:  |                           |                                 |              |                           |
| Cash and Investments                                     | \$ 113,881                | \$ 323,520                      | 437,401      | \$ 41,069                 |
| Accounts Receivable - Net                                | 10,449                    | 6,830                           | 17,279       | 680                       |
| Interest and Dividends Receivable                        | 137                       | 4,945                           | 5,082        |                           |
| Due from Other Funds                                     |                           | 157                             | 157          | 8,843                     |
| Due from Component Units                                 |                           |                                 | 0            | 5                         |
| Due from Other Governments                               | 12,295                    | 468                             | 12,763       | 5                         |
| Loans, Notes, and Bonds Receivable                       |                           | 17,738                          | 17,738       |                           |
| Inventories  |                           |                                 | 0            | 3,383                     |
| Other Current Assets                                     |                           |                                 | 0            | 1,363                     |
| Total Current Assets                                     | 136,762                   | 353,658                         | 490,420      | 55,348                    |
| Noncurrent Assets:                                       |                           |                                 |              |                           |
| Accounts Receivable - Net                                |                           | 539                             | 539          |                           |
| Interest and Dividends Receivable                        |                           | 24,674                          | 24,674       |                           |
| Loans, Notes, and Bonds Receivable                       |                           | 253,745                         | 253,745      |                           |
| Repossessed Property                                     |                           | 2,489                           | 2,489        |                           |
| Investment in Projects, Partnerships,<br>or Corporations |                           | 8,037                           | 8,037        |                           |
| Restricted Assets  | 197,258                   |                                 | 197,258      |                           |
| Other Noncurrent Assets                                  |                           | 1,240                           | 1,240        |                           |
| Capital Assets:  |                           |                                 |              |                           |
| Equipment, Net of Depreciation                           | 15,506                    |                                 | 15,506       | 87,736                    |
| Buildings, Net of Depreciation                           | 187,130                   |                                 | 187,130      | 35,536                    |
| Infrastructure, Net of Depreciation                      | 218,519                   |                                 | 218,519      |                           |
| Land   | 29,779                    |                                 | 29,779       |                           |
| Construction in Progress                                 | 248,854                   | 2,185                           | 251,039      |                           |
| Total Noncurrent Assets                                  | 897,046                   | 292,909                         | 1,189,955    | 123,272                   |
| Total Assets   | 1,033,808                 | 646,567                         | 1,680,375    | 178,620                   |
| <b>LIABILITIES</b>                                       |                           |                                 |              |                           |
| Current Liabilities:                                     |                           |                                 |              |                           |
| Accounts Payable and Accrued Liabilities                 | 1,802                     | 4,261                           | 6,063        | 13,413                    |
| Due to Other Funds                                       | 45,153                    | 1,555                           | 46,708       | 682                       |
| Due to Other Governments                                 |                           | 4,759                           | 4,759        |                           |
| Interest Payable   | 6,104                     |                                 | 6,104        | 44                        |
| Claims, Judgments, and<br>Compensated Absences           |                           | 39                              | 39           | 3,562                     |
| Unearned and Deferred Revenue                            | 4,412                     |                                 | 4,412        |                           |
| Notes, Bonds, and Leases Payable                         | 12,138                    |                                 | 12,138       | 2,731                     |
| Other Current Liabilities                                |                           | 710                             | 710          |                           |
| Total Current Liabilities                                | 69,609                    | 11,324                          | 80,933       | 20,432                    |
| Noncurrent Liabilities:                                  |                           |                                 |              |                           |
| Notes, Bonds, and Leases Payable                         | 410,003                   |                                 | 410,003      | 1,975                     |
| Other Noncurrent Liabilities                             | 314                       | 20                              | 334          |                           |
| Total Noncurrent Liabilities                             | 410,317                   | 20                              | 410,337      | 1,975                     |
| Total Liabilities  | 479,926                   | 11,344                          | 491,270      | 22,407                    |
| <b>NET ASSETS</b>  |                           |                                 |              |                           |
| Invested in Capital Assets,<br>Net of Related Debt       | 449,088                   | 2,185                           | 451,273      | 118,566                   |
| Restricted for:  |                           |                                 |              |                           |
| Unemployment Compensation                                |                           | 180,625                         | 180,625      |                           |
| Debt Service   | 12,149                    |                                 | 12,149       |                           |
| Other Purposes   | 6,514                     | 230,312                         | 236,826      |                           |
| Unrestricted   | 86,131                    | 222,101                         | 308,232      | 37,647                    |
| Total Net Assets   | \$ 553,882                | \$ 635,223                      | \$ 1,189,105 | \$ 156,213                |

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, 2004  
(Stated in Thousands)

STATEMENT 1.22

|   | Enterprise Funds          |                                 |              | Internal<br>Service Funds |
|---|---------------------------|---------------------------------|--------------|---------------------------|
|   | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total        |                           |
| <b>OPERATING REVENUES</b>                         |                           |                                 |              |                           |
| Premiums and Contributions                        | \$                        | \$ 160,762                      | \$ 160,762   | \$ 56,711                 |
| Charges for Goods and Services                    | 76,081                    | 633                             | 76,714       | 71,078                    |
| Interest and Investment Income                    |                           | 9,570                           | 9,570        |                           |
| Allowance for Uncollectible Interest              |                           | 18                              | 18           |                           |
| Fines and Forfeitures                             |                           | 112                             | 112          |                           |
| Federal Grants in Aid                             |                           | 2,441                           | 2,441        |                           |
| Other Operating Revenues                          | 386                       |                                 | 386          | 371                       |
| Total Operating Revenues                          | 76,467                    | 173,536                         | 250,003      | 128,160                   |
| <b>OPERATING EXPENSES</b>                         |                           |                                 |              |                           |
| Benefits  |                           | 185,342                         | 185,342      | 52,207                    |
| Operating   | 49,238                    | 4,717                           | 53,955       | 60,810                    |
| Depreciation                                      | 27,259                    | 90                              | 27,349       | 15,503                    |
| Provision for Loan Losses and Forgiveness         |                           | 65                              | 65           |                           |
| Other Operating Expenses                          |                           | 182                             | 182          |                           |
| Total Operating Expenses                          | 76,497                    | 190,396                         | 266,893      | 128,520                   |
| Operating Income (Loss)                           | (30)                      | (16,860)                        | (16,890)     | (360)                     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                           |                                 |              |                           |
| Interest and Investment Income                    | 1,057                     | 11,906                          | 12,963       | 234                       |
| Interest and Investment Expense                   | (645)                     | (10)                            | (655)        | (320)                     |
| Gain (Loss) on Disposal of Capital Assets         |                           |                                 | 0            | 194                       |
| Other Nonoperating Revenues (Expenses)            | (2,516)                   | 7                               | (2,509)      | 52                        |
| Total Nonoperating Revenues (Expenses)            | (2,104)                   | 11,903                          | 9,799        | 160                       |
| Income Before Capital Contributions and Transfers | (2,134)                   | (4,957)                         | (7,091)      | (200)                     |
| Capital Contributions                             | 48,610                    | 28,280                          | 76,890       | 1,301                     |
| Transfers In from Other Funds                     |                           | 809                             | 809          | 4,641                     |
| Transfers (Out to) Other Funds                    |                           | (5,115)                         | (5,115)      | (2,849)                   |
| Change in Net Assets                              | 46,476                    | 19,017                          | 65,493       | 2,893                     |
| Total Net Assets - Beginning of Year              | 507,406                   | 620,134                         | 1,127,540    | 148,390                   |
| Prior Period Adjustment                           |                           | (3,928)                         | (3,928)      | 4,930                     |
| Total Net Assets - End of Year                    | \$ 553,882                | \$ 635,223                      | \$ 1,189,105 | \$ 156,213                |

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, 2004  
(Stated in Thousands)

STATEMENT 1.23

|  | Enterprise Funds          |                                 |            | Internal<br>Service Funds |
|--|---------------------------|---------------------------------|------------|---------------------------|
|  | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total      |                           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                           |                                 |            |                           |
| Receipts from Other Governments                                      | \$                        | \$ 773                          | \$ 773     | \$ 170                    |
| Receipts from Customers  | 75,717                    | 343                             | 76,060     | 69,662                    |
| Receipt of Principal from Loan Recipients                            |                           | 22,965                          | 22,965     |                           |
| Receipt of Interest and Fees from Loan Recipients                    |                           | 9,270                           | 9,270      |                           |
| Receipts from Insured  |                           | 159,964                         | 159,964    | 56,720                    |
| Payments to Employees  | (31,196)                  | (822)                           | (32,018)   | (21,353)                  |
| Payments to Suppliers  | (17,763)                  | (183)                           | (17,946)   | (34,368)                  |
| Payments to Other Governments  |                           | (913)                           | (913)      |                           |
| Payments to Loan Recipients  |                           | (45,397)                        | (45,397)   |                           |
| Claims Paid  | 5,723                     | (186,604)                       | (180,881)  | (50,714)                  |
| Interfund Services Used  |                           | (3,878)                         | (3,878)    |                           |
| Other Receipts   |                           | 315                             | 315        | 372                       |
| Other Payments   |                           | (316)                           | (316)      | (2,256)                   |
| Net Cash Provided (Used) by Operating Activities                     | 32,481                    | (44,483)                        | (12,002)   | 18,233                    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                           |                                 |            |                           |
| Operating Subsidies and Transfers (Out to) Other Funds               |                           | (4,724)                         | (4,724)    | (2,849)                   |
| Operating Subsidies and Transfers In from Other Funds                |                           | 809                             | 809        | 5,712                     |
| Federal Grants   |                           | 27,718                          | 27,718     |                           |
| Proceeds from Issuance of Short-term Debt                            |                           | 2,640                           | 2,640      |                           |
| Payments on Short-term Debt  |                           | (2,640)                         | (2,640)    |                           |
| Interest and Fees Paid on Borrowing                                  |                           | (3)                             | (3)        |                           |
| Net Cash Provided (Used) by Noncapital Financing Activities          | 0                         | 23,800                          | 23,800     | 2,863                     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                           |                                 |            |                           |
| Proceeds from Sale of Capital Assets                                 |                           |                                 | 0          | 1,158                     |
| Acquisition and Construction of Capital Assets                       | (131,998)                 |                                 | (131,998)  | (14,334)                  |
| Proceeds from Capital Debt   | 95,351                    |                                 | 95,351     |                           |
| Principal Paid on Capital Debt                                       | (30,146)                  |                                 | (30,146)   | (2,474)                   |
| Interest and Fees Paid on Capital Debt                               | (23,977)                  |                                 | (23,977)   | (297)                     |
| Federal Grants   | 34,120                    |                                 | 34,120     |                           |
| Other Receipts (Payments)  | 1,442                     |                                 | 1,442      |                           |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (55,208)                  | 0                               | (55,208)   | (15,947)                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                           |                                 |            |                           |
| Proceeds from Sales/Maturities of Investments                        | 39,391                    |                                 | 39,391     |                           |
| Purchase of Investments  | (43,370)                  |                                 | (43,370)   |                           |
| Interest and Dividends on Investments                                | 2,883                     | 11,896                          | 14,779     | 234                       |
| Change in Restricted Cash and Investments                            | 21,341                    |                                 | 21,341     |                           |
| Net Cash Provided (Used) by Investing Activities                     | 20,245                    | 11,896                          | 32,141     | 234                       |
| Net Increase (Decrease) in Cash                                      | (2,482)                   | (8,787)                         | (11,269)   | 5,383                     |
| Cash and Cash Equivalents - Beginning of Year                        | 21,186                    | 332,307                         | 353,493    | 35,686                    |
| Cash and Cash Equivalents - End of Year                              | \$ 18,704                 | \$ 323,520                      | \$ 342,224 | \$ 41,069                 |

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 Year Ended June 30, 2004  
(Stated in Thousands)

STATEMENT 1.23

|   | Enterprise Funds          |                                 |                    | Internal<br>Service Funds |
|---|---------------------------|---------------------------------|--------------------|---------------------------|
|   | International<br>Airports | Nonmajor<br>Enterprise<br>Funds | Total              |                           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                           |                                 |                    |                           |
| Operating Income (Loss)   | \$ (30)                   | \$ (16,860)                     | \$ (16,890)        | \$ (360)                  |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                           |                                 |                    |                           |
| Depreciation and Amortization   | 27,259                    | 90                              | 27,349             | 15,503                    |
| Other Reconciling Items   | 524                       | (80)                            | 444                |                           |
| Net Changes in Assets and Liabilities:  |                           |                                 |                    |                           |
| Accounts Receivable - Net   | (1,274)                   | (1,248)                         | (2,522)            | 2,974                     |
| Due from Other Funds  |                           | 76                              | 76                 | (4,254)                   |
| Due from Component Units  |                           |                                 | 0                  | 40                        |
| Due from Other Governments  |                           | (405)                           | (405)              | 3                         |
| Loans, Notes and Bonds Receivable - Net   |                           | (22,196)                        | (22,196)           |                           |
| Repossessed Property  |                           | 90                              | 90                 |                           |
| Investment in Projects, Partnerships, or Corporations   |                           | 25                              | 25                 |                           |
| Interest and Dividends Receivable - Net   |                           | 197                             | 197                |                           |
| Inventories   |                           |                                 | 0                  | 485                       |
| Other Assets  |                           | (1,639)                         | (1,639)            | (269)                     |
| Due to Other Funds  | 5,723                     | (359)                           | 5,364              | 79                        |
| Due to Other Governments  |                           | (678)                           | (678)              |                           |
| Accounts Payable and Accrued Liabilities  | 279                       | (1,942)                         | (1,663)            | 4,032                     |
| Other Liabilities   |                           | 446                             | 446                |                           |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 32,481</u>          | <u>\$ (44,483)</u>              | <u>\$ (12,002)</u> | <u>\$ 18,233</u>          |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |                           |                                 |                    |                           |
| Total Cash and Investments per the Statement of Net Assets  | \$ 113,881                | \$ 323,520                      | \$ 437,401         | \$ 41,069                 |
| Less: Investments not Meeting the Definition of Cash or Cash Equivalents                              | (95,177)                  |                                 | (95,177)           |                           |
| Cash, End of Year   | <u>\$ 18,704</u>          | <u>\$ 323,520</u>               | <u>\$ 342,224</u>  | <u>\$ 41,069</u>          |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                           |                                 |                    |                           |
| Contributed Capital Assets  |                           | 562                             | 562                | 1,301                     |
| Acquisitions of Capital Assets through Capital Lease  |                           |                                 | 0                  | 1,144                     |
| Transfers (Out to) Other Funds (Accrual)  |                           | (563)                           | (563)              |                           |



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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, 2004  
(Stated in Thousands)

STATEMENT 1.31

|   | Pension and Other<br>Employee<br>Benefit Trust Funds | Agency<br>Funds |
|---|--|-----------------|
| <b>ASSETS</b>                                     |  |                 |
| Cash and Cash Equivalents                         | \$ 62,500  | \$ 81,057       |
| Investments                                       | 14,583,258   | 170,755         |
| Investment Loss Trust Fund Assets                 | 1,605  |                 |
| Contributions Receivable                          | 22,070   |                 |
| Due from Other Funds                              |  | 2,236           |
| Other Assets                                      | 7  |                 |
| <b>Total Assets</b>                               | <b>14,669,440</b>                                    | <b>254,048</b>  |
| <b>LIABILITIES</b>                                |  |                 |
| Accounts Payable and Accrued Liabilities          | 56,941   | 4,637           |
| Trust Deposits Payable                            |  | 249,410         |
| Due to Other Funds                                | 1,143  | 1               |
| Due to Others                                     | 2  |                 |
| <b>Total Liabilities</b>                          | <b>58,086</b>  | <b>254,048</b>  |
| <b>NET ASSETS</b>                                 |  |                 |
| Held in Trust for:                                |  |                 |
| Pension Benefits                                  | 9,127,293  |                 |
| Postemployment Healthcare Benefits                | 3,219,333  |                 |
| Individuals, Organizations, and Other Governments | 2,264,728  |                 |
| <b>Total Net Assets</b>                           | <b>\$ 14,611,354</b>                                 | <b>\$ 0</b>     |

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

**STATE OF ALASKA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

**STATEMENT 1.32**

|   | Pension and Other<br>Employee<br>Benefit Trust Funds |
|---|--|
| <b>ADDITIONS</b>                                  |  |
| Premiums and Contributions:                       |  |
| Employer  | \$ 473,930   |
| Member  | 296,568  |
| Other   | 2,890  |
| Total Premiums and Contributions                  | 773,388  |
| Investment Income:                                |  |
| Net Appreciation (Depreciation) in Fair           |  |
| Value of Investments                              | 1,605,565  |
| Interest  | 186,979  |
| Dividends   | 185,738  |
| Total Investment Income                           | 1,978,282  |
| Less Investment Expense                           | 28,756   |
| Net Investment Income                             | 1,949,526  |
| Other Additions                                   | 229  |
| Total Additions                                   | 2,723,143  |
| <b>DEDUCTIONS</b>                                 |  |
| Benefits Paid                                     | 1,205,405  |
| Insurance Premiums                                | 4,754  |
| Refunds of Premiums and Contributions             | 18,912   |
| Administrative Expenses                           | 21,258   |
| Total Deductions                                  | 1,250,329  |
| <b>OTHER FINANCING SOURCES (USES):</b>            |  |
| Transfers in from Other Funds                     | 19,974   |
| Transfers (Out to) Other Funds                    | (20,000)   |
| Total Other Financing Sources and Uses            | (26)   |
| Net Increase (Decrease) in Net Assets Held in     |  |
| Trust for:  |  |
| Pension Benefits                                  | 816,929  |
| Postemployment Healthcare Benefits                | 314,637  |
| Individuals, Organizations, and Other Governments | 341,222  |
| Net Assets - Beginning of the Year                | 13,138,372   |
| Prior Period Adjustment                           | 194  |
| Net Assets - End of the Year                      | \$ 14,611,354  |

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



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# Component Units Financial Statements

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





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STATE OF ALASKA  
Statement of Net Assets  
Component Units  
June 30, 2004  
(Stated in Thousands)

STATEMENT 1.41

|   | University<br>of Alaska | Alaska<br>Housing<br>Finance<br>Corporation | Alaska<br>Industrial<br>Development and<br>Export Authority | Nonmajor<br>Component<br>Units | Total        |
|---|-------------------------|---|---|--------------------------------|--------------|
| <b>ASSETS</b>   |                         |   |   |                                |              |
| Cash and Investments                                      | \$ 46,756               | \$ 452,634                                  | \$ 323,789  | \$ 797,712                     | \$ 1,620,891 |
| Accounts Receivable - Net                                 | 51,800                  |   |   | 17,412                         | 69,212       |
| Interest and Dividends Receivable                         | 56                      | 19,897                                      | 4,380   | 11,004                         | 35,337       |
| Due from Primary Government                               | 6,112                   | 590   |   | 1,091                          | 7,793        |
| Due from Component Units                                  | 1,052                   | 109   | 763   | 178                            | 2,102        |
| Due from Other Governments                                | 2,502                   |   |   | 7,721                          | 10,223       |
| Loans, Notes, and Bonds Receivable                        | 7,347                   | 3,355,300                                   | 344,820   | 363,668                        | 4,071,135    |
| Inventories   | 8,135                   |   |   | 9,855                          | 17,990       |
| Net Investment in Direct Financing Leases                 |                         | 34,547                                      | 275,516   |                                | 310,063      |
| Investments in Projects, Partnerships,<br>or Corporations |                         |   | 55,274  |                                | 55,274       |
| Restricted Assets   | 220,602                 | 698,852                                     | 110,970   | 958,382                        | 1,988,806    |
| Other Assets  | 74,100                  | 35,738                                      | 29,273  | 2,453                          | 141,564      |
| Capital Assets:   |                         |   |   |                                |              |
| Equipment, Net of Depreciation                            | 136,108                 | 686   |   | 73,720                         | 210,514      |
| Buildings, Net of Depreciation                            | 514,111                 | 69,900                                      | 2,215   | 30,703                         | 616,929      |
| Infrastructure, Net of Depreciation                       | 11,134                  |   |   | 448,135                        | 459,269      |
| Land  | 27,281                  | 13,847                                      | 600   | 19,983                         | 61,711       |
| Construction in Progress                                  | 72,123                  | 26,380                                      |   | 143,124                        | 241,627      |
| Total Assets  | 1,179,219               | 4,708,480                                   | 1,147,600   | 2,885,141                      | 9,920,440    |
| <b>LIABILITIES</b>  |                         |   |   |                                |              |
| Accounts Payable and Accrued Liabilities                  | 31,401                  |   | 785   | 56,762                         | 88,948       |
| Due to Primary Government                                 |                         | 4,358                                       | 1,760   | 83,886                         | 90,004       |
| Due to Component Units                                    |                         |   |   | 763                            | 763          |
| Due to Other Governments                                  |                         |   |   | 4                              | 4            |
| Interest Payable  |                         | 14,562                                      | 5,383   | 20,875                         | 40,820       |
| Other Current Liabilities                                 | 32,530                  | 70,145                                      |   | 1,927                          | 104,602      |
| Long-term Liabilities:                                    |                         |   |   |                                |              |
| Portion Due or Payable Within One Year:                   |                         |   |   |                                |              |
| Claims, Judgments, and<br>Compensated Absences            |                         |   |   | 558                            | 558          |
| Unearned and Deferred Revenue                             |                         |   | 1,430   | 14,987                         | 16,417       |
| Notes, Bonds, and Leases Payable                          | 4,855                   | 91,396                                      | 11,025  | 119,406                        | 226,682      |
| Other Long-term Debt                                      |                         |   |   | 5,030                          | 5,030        |
| Other Noncurrent Liabilities                              | 1,281                   | 15,977                                      |   |                                | 17,258       |
| Portion Due or Payable After One Year:                    |                         |   |   |                                |              |
| Unearned and Deferred Revenue                             | 8,633                   |   | 3,123   | 277,148                        | 288,904      |
| Notes, Bonds, and Leases Payable                          | 108,239                 | 2,799,483                                   | 293,070   | 994,987                        | 4,195,779    |
| Other Long-term Debt                                      |                         |   |   | 6,006                          | 6,006        |
| Other Noncurrent Liabilities                              | 17,862                  | 6,100                                       | 8,138   | 17,135                         | 49,235       |
| Total Liabilities   | 204,801                 | 3,002,021                                   | 324,714   | 1,599,474                      | 5,131,010    |
| <b>NET ASSETS</b>   |                         |   |   |                                |              |
| Invested in Capital Assets,<br>Net of Related Debt        | 648,016                 | 110,232                                     | (15,056)  | 322,750                        | 1,065,942    |
| Restricted for:   |                         |   |   |                                |              |
| Permanent Funds   |                         |   |   |                                | 0            |
| Nonexpendable   |                         |   |   | 303,759                        | 303,759      |
| Expendable  |                         |   |   | 72,818                         | 72,818       |
| Education   | 239,389                 |   |   | 234,666                        | 474,055      |
| Debt Service  | 3,092                   | 670,310                                     | 564   | 45,795                         | 719,761      |
| Other Purposes  |                         | 576,105                                     |   | 22,974                         | 599,079      |
| Unrestricted  | 83,921                  | 349,812                                     | 837,378   | 282,905                        | 1,554,016    |
| Total Net Assets  | \$ 974,418              | \$ 1,706,459                                | \$ 822,886  | \$ 1,285,667                   | \$ 4,789,430 |

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, 2004  
(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                               | \$ 555,542          | \$ 111,971                                     | \$ 187,194                         | \$ 24,907                        |
| Alaska Housing Finance Corporation                 | 329,696             | 212,409  | 44,701                             | 11,383                           |
| Alaska Industrial Development and Export Authority | 47,329              | 43,685   | 914                                | 85                               |
| Nonmajor Component Units                           | 357,951             | 188,408  | 79,503                             | 36,027                           |
| <b>Total Component Units</b>                       | <b>\$ 1,290,518</b> | <b>\$ 556,473</b>                              | <b>\$ 312,312</b>                  | <b>\$ 72,402</b>                 |

General Revenues:

Interest and Investment Earnings

Tobacco Settlement

Net Increase (Decrease) in the Fair Value of Investments

Payments In from Component Units

Payments In from Primary Government

Other Revenues

Special Items:

International Trade and Business Endowment Liquidation

Early Bond Redemption Costs

Total General Revenues and Special Items

Change in Net Assets

Net Assets - Beginning of Year

Changes in Accounting Principles

Net Assets - End of Year

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



STATEMENT 1.42

| 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 |
| \$ (231,470)                                    | \$                                 | \$   | \$                       | \$ (231,470)          |
|   | (61,203)                           |  |                          | (61,203)              |
|   |                                    | (2,645)  |                          | (2,645)               |
|   |                                    |  | (54,013)                 | (54,013)              |
| <u>(231,470)</u>                                | <u>(61,203)</u>                    | <u>(2,645)</u>                                     | <u>(54,013)</u>          | <u>(349,331)</u>      |
| 11,704  | 46,358                             | 14,375   | 30,833                   | 103,270               |
| 15,110  | (9,554)                            | (13,432)   | 12,523                   | 4,647                 |
| 25,518  |                                    | 2,237  |                          | 27,755                |
| 253,890   |                                    | 122  |                          | 254,012               |
| 4,016   | 743                                |  |                          | 4,759                 |
|   |                                    |  | (4,829)                  | (4,829)               |
|   | (7,451)                            |  |                          | (7,451)               |
| <u>310,238</u>                                  | <u>30,096</u>                      | <u>3,302</u>                                       | <u>38,527</u>            | <u>382,163</u>        |
| <u>78,768</u>                                   | <u>(31,107)</u>                    | <u>657</u>   | <u>(15,486)</u>          | <u>32,832</u>         |
| 782,514   | 1,737,566                          | 822,229  | 1,301,153                | 4,643,462             |
| 113,136   |                                    |  |                          | 113,136               |
| <u>\$ 974,418</u>                               | <u>\$ 1,706,459</u>                | <u>\$ 822,886</u>                                  | <u>\$ 1,285,667</u>      | <u>\$ 4,789,430</u>   |



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# Notes to the Financial Statements

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For the Fiscal Year Ended June 30, 2004**

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

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

#### **A. THE FINANCIAL REPORTING ENTITY**

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

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

#### **BLENDED COMPONENT UNITS**

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (fund) and other funds designated by law. The fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the state constitution. The beneficiaries of the fund are all present and future generations of Alaskans. The fund represents 88 percent of the total cash and investments and 76 percent of total government-wide net assets excluding discretely presented component units. The fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, 801 W. 10th Street, Suite 302, Juneau, AK 99801, or from their web site at [www.apfc.org](http://www.apfc.org).

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

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

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

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

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

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

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

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

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

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

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

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

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

#### DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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



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

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

The **Alaska Science and Technology Foundation** (ASTF) was established as a public corporation in the Department of Community and Economic Development (AS 37.17.010). ASTF was governed and administered by a board of directors appointed by the governor. ASTF's budget is approved by the legislature. The purpose of ASTF was to promote and enhance through basic and applied research: economic development and technological innovation in Alaska, public health, telecommunication, and sustained growth and development of Alaskan scientific and engineering capabilities.

In order to support ASTF, the International Trade and Business Endowment (ITBE) was established under AS 37.17.440. Income earned by the ITBE was appropriated to support programs for the development of international trade and business in the state. The ITBE was held and invested by the Alaska Permanent Fund Corporation on behalf of the State of Alaska.

During the legislative session held in 2003, the balance of the ITBE as of June 30, 2003 was appropriated to the Alaska debt retirement fund. The legislation mandating this transfer (Chapter 83, SLA 2003) was effective on July 1, 2003. The endowment was fully liquidated and transferred to the debt retirement fund in July 2003.

ASTF financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units since there are no separately issued financial statements for ASTF.

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

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

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the state (AS 16.51.010). It is an instrumentality of the state with a legal existence independent of and separate from the state. ASMI is governed by a board of directors appointed by the governor, and its budget is approved by the legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the general fund within the Department of 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 2004 budget was approximately \$11.1 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 instead 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. The State of Alaska does not have any fiduciary private-purpose trust funds.

## C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance operations during the current year or to liquidate liabilities existing at the end of

the year (collected within 60 days of fiscal year end). Major revenues that are determined to be susceptible to accrual include federal, charges for services, investment income, and petroleum related taxes and royalties.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are reported as nonoperating.

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

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

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

##### GOVERNMENTAL FUND TYPES

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

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

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

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

##### PROPRIETARY FUND TYPES

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

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

##### FIDUCIARY FUND TYPES

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

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

## **E. FISCAL YEAR ENDS**

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

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

### CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the state and its component units. In accordance with GASB Statement No. 31, investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

The non-retirement domestic equity securities are 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 in good faith and pursuant to procedures established by the Trustee.

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. Equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates or, in the absence of a sale, at the last reported bid price.

Emerging markets securities are valued on the last business day of each month by the investment managers.

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

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 other investment security is valued quarterly by the general partner.

Real estate investments are valued quarterly by investment managers based on market conditions and their knowledge of industry trends. Real estate investments are valued once every three years, in conjunction with the purchase date anniversary, by independent appraisers.

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, 2004, 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. The assets of the Short-term Fixed Income Pool were comprised of a short-term investment account (sweep account), commercial paper, U.S. treasury notes, U. S. government agency debt, mortgage and asset-backed securities, and corporate debt. The assets of the Intermediate-term Fixed Income Pool were comprised of shares in the Short-term Fixed Income Pool, U.S. treasury notes, U.S. government agency debt, mortgage and asset-backed securities, corporate debt and Yankees.

### RECEIVABLES

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

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

### INTER/INTRAFUND TRANSACTIONS

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

### INVENTORIES

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

### CAPITAL ASSETS

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

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

Public domain infrastructure acquired beginning in FY 02, such as highways and bridges, is capitalized. By FY 06, infrastructure acquired prior to FY 02 will be valued for inclusion in total infrastructure assets.

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, 2004, 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 statement of net assets, is \$117.1 million. A liability for compensated absences is reported in the governmental funds' statements only for the current portion of accumulated unpaid annual or personal leave, which as of June 30, 2004, is \$1.2 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. 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 ending June 30, 2004 (in thousands).

|                           | General                   | Permanent                  | Special<br>Revenue     | Debt<br>Service        | Capital<br>Projects     |
|---------------------------|---------------------------|----------------------------|------------------------|------------------------|-------------------------|
| Reserved                  |                           |                            |                        |                        |                         |
| Encumbrances              | \$ 187,317                | \$ 43                      | \$37,323               | \$ -                   | \$149,363               |
| Nonliquid Assets          | 5,152,395                 | -                          | -                      | -                      | -                       |
| Bonds                     | -                         | -                          | -                      | 52,168                 | -                       |
| Other                     | 29,808                    | 26,829,238                 | -                      | -                      | -                       |
| Total Reserved            | <u>5,369,520</u>          | <u>26,829,281</u>          | <u>37,323</u>          | <u>52,168</u>          | <u>149,363</u>          |
| Unreserved                |                           |                            |                        |                        |                         |
| Designated                |                           |                            |                        |                        |                         |
| Continuing Appropriations | 249,938                   | 540                        | 13,030                 | -                      | 223,087                 |
| Other                     | 875,245                   | 858,540                    | 292                    | -                      | -                       |
| Undesignated              | <u>(3,054,840)</u>        | <u>10,631</u>              | <u>34,519</u>          | <u>-</u>               | <u>4,895</u>            |
| Total Unreserved          | <u>(1,929,657)</u>        | <u>869,711</u>             | <u>47,841</u>          | <u>-</u>               | <u>227,982</u>          |
| Total Fund Balance        | <u><u>\$3,439,863</u></u> | <u><u>\$27,698,992</u></u> | <u><u>\$85,164</u></u> | <u><u>\$52,168</u></u> | <u><u>\$377,345</u></u> |

**RESTRICTED NET ASSETS**

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$26,541 million), \$288 million of the Public School Trust Fund net assets, and \$304 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) are nonexpendable. The remaining \$11 million (four percent) of the Public School Trust Fund restricted net assets, and \$73 million (nineteen percent) of the Alaska Mental Health Trust Authority are expendable.

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

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

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

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

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 04, supplemental appropriations of \$206.3 million were required, of which \$33.5 million were appropriations from the general fund.

The state issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99801-0204, or may be viewed online at [http://fin.admin.state.ak.us/dof/financial\\_reports/index.jsp](http://fin.admin.state.ak.us/dof/financial_reports/index.jsp), the Division of Finance web page under Financial Reports.

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 04, the Office of Management and Budget estimated the limit to be approximately \$6.8 billion. The FY 04 budget passed by the legislature was \$2.3 billion (unrestricted general fund revenues only), or \$4.5 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

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

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

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

|                                 |                      |
|---------------------------------|----------------------|
| Chapter 14, SLA 1994, section 7 | \$ 1,006,038,474     |
| Chapter 14, SLA 1994, section 8 | 49,608,135           |
| Chapter 14, SLA 1994, section 9 | 368,581,990          |
| Subtotal FY 94                  | <u>1,424,228,599</u> |

|   |                      |
|---|----------------------|
| Chapter 3, FSSLA 1994, section 39(c)                        | 22,417,986           |
| Chapter 3, FSSLA 1994, section 40                           | 68,738,958           |
| Chapter 3, FSSLA 1994, section 22(a)                        | 11,250,000           |
| Chapter 6, FSSLA 1994, section 1                            | 130,300,000          |
| Article IX, section 17(d) Alaska Constitution (FY 95)       | (95,506,853)         |
| Subtotal FY 95  | <u>137,200,091</u>   |
| Chapter 94, SLA 1995, section 43(a)                         | 95,506,853           |
| Chapter 94, SLA 1995, miscellaneous operating appropriation | 8,356,516            |
| Chapter 94, SLA 1995, section 43(b)                         | 284,873,567          |
| Article IX, section 17(d) Alaska Constitution (FY 96)       | (74,352,026)         |
| Subtotal FY 96  | <u>314,384,910</u>   |
| Chapter 94, SLA 1995, miscellaneous operating appropriation | 8,316,412            |
| Chapter 5, FSSLA 1996, section 1(a)                         | 74,352,026           |
| Article IX, section 17(d) Alaska Constitution (FY 97)       | (166,019,445)        |
| Subtotal FY 97  | <u>(83,351,007)</u>  |
| Chapter 98, SLA 1997, section 35(a)                         | 166,019,445          |
| Chapter 98, SLA 1997, page 47, line 3                       | 529,258              |
| Chapter 98, SLA 1997, section 35(b)                         | 423,319,190          |
| Article IX, section 17(d) Alaska Constitution (FY 98)       | (89,264,067)         |
| Subtotal FY 98  | <u>500,603,826</u>   |
| Chapter 139, SLA 1998, section 42(a)                        | 89,264,067           |
| Chapter 2, SLA 1999, section 16(c)                          | 446,949              |
| Chapter 27, SLA 1999, section 2(a), Y2K appropriations      | 2,336,290            |
| Chapter 2, FSSLA 1999, section 21(a)                        | 1,042,014,840        |
| Article IX, section 17(d) Alaska Constitution (FY 99)       | (94,632,453)         |
| Subtotal FY 99  | <u>1,039,429,693</u> |
| Chapter 2, SLA 1999, section 16(c)                          | 13,051               |
| Chapter 27, SLA 1999, section 2(a), Y2K appropriations      | 5,594,185            |
| Chapter 84, SLA 1999, section 35(a)                         | 94,632,453           |
| Chapter 2, FSSLA 1999, section 21(b)                        | 295,898,497          |
| Chapter 8, SLA 2000, section 8(a)                           | 3,227,666            |
| Chapter 75, SLA 2000, section 1(b)                          | 100,000,000          |
| Article IX, section 17(d) Alaska Constitution (FY 00)       | (111,438,806)        |
| Subtotal FY 00  | <u>387,927,046</u>   |
| Chapter 133, SLA 2000, section 11(a)                        | 111,438,806          |
| Chapter 75, SLA 2000, section 1(c)                          | 500,000              |
| Chapter 135, SLA 2000, section 18(c)                        | 121,672              |
| Article IX, section 17(d) Alaska Constitution (FY 01)       | (115,416,319)        |
| Subtotal FY 01  | <u>(3,355,841)</u>   |
| Chapter 61, SLA 2001, section 93(a)                         | 101,947,305          |
| Chapter 61, SLA 2001, section 93(b)                         | 884,311,765          |
| Chapter 61, SLA 2001, section 93(c)                         | 125,000              |
| Article IX, section 17(d) Alaska Constitution (FY 02)       | (130,695,249)        |
| Subtotal FY 02  | <u>855,688,821</u>   |
| Chapter 1, SSSLA 2002, section 94(a)                        | 130,695,249          |
| Chapter 1, SSSLA 2002, section 94(b)                        | 498,120,073          |
| Chapter 1, SSSLA 2002, section 94(c)                        | 121,425              |
| Article IX, section 17(d) Alaska Constitution (FY 03)       | (88,755,533)         |
| Subtotal FY 03  | <u>540,181,214</u>   |



|   |                             |
|---|-----------------------------|
| Chapter 159, SLA 2004, section 61(a)                  | 88,755,533                  |
| Chapter 159, SLA 2004, section 61(b)                  | 10,784,830                  |
| Chapter 159, SLA 2004, section 61(c)                  | 109,120                     |
| Article IX, section 17(d) Alaska Constitution (FY 04) | <u>(94,626,898)</u>         |
| Subtotal FY 04  | <u>5,022,585</u>            |
| <br>Total appropriated from the CBRF                  | <br><u>\$ 5,117,959,937</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), and chapter 159 SLA 2004, section 61(b), 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, and 2004 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, and 2004, 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, and FY 03 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, and FY 04 respectively. The amount for FY 04 will be transferred to the CBRF during FY 05.

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, and chapter 159, SLA 2004, section 61(d) for FY04.

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

Chapter 98, SLA 1997, Page 47, line 3, chapter 2, SLA 1999, section 16(c), chapter 135, SLA 2000, section 18(c), chapter 61, SLA 2001, section 93(c), chapter 1, SSSLA 2002, section 94(c), and chapter 159, SLA 2004, section 61(c), appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY03, and FY 04 respectively.

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

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

Chapter 75, SLA 2000, section 1(b), appropriated funds from the CBRF to the power cost equalization endowment fund, which is within the Alaska Energy Authority. Chapter 75, SLA 2000, section 1(c), also appropriated funds from the CBRF to the Alaska Energy Authority to cover the costs of completing the sale of the four dam pool hydroelectric project and of establishing and managing the power cost equalization endowment fund for FY 01.

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

Effective for the year ended June 30, 2004, the University of Alaska, a component unit of the state, implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. As a result, the university included the University of Alaska Foundation (foundation) within their financial statements to better report resources benefiting the university. The beginning net assets amount reported in the statement of activities is being adjusted by this change in accounting principle. The foundation is a legally separate non profit component unit of the university. The foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the university. Resources managed by the foundation and distributions made to the university are governed by the foundation's Board of Trustees. The university is not accountable for, nor has ownership of, the foundation's resources.

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

- \$3,565 thousand increase to the general fund due to a \$6 thousand adjustment in payroll liabilities from prior years, \$632 thousand increase in cash proceeds of certificates of participation that were not reported, \$2,572 increase due to unrecorded revenues received in prior years, and an increase of \$355 thousand for reimbursement of prior year expenditures.
- \$4,930 thousand increase for internal service funds as they relate to the Alaska Public Building fund included \$224 thousand to capitalize building costs previously expensed, and \$4,706 thousand to record cash held in trust previously not reported.
- \$3,928 thousand decrease for enterprise funds as they relate to the Unemployment Compensation Fund for prior year benefit expenses due to the incorrect assessment of fraud penalties.
- \$194 thousand increase related to prior year Supplemental Benefits change in accounting classification from a liability to an asset for un-reimbursed dependent care reimbursement plan contributions.

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

- \$7 thousand increase in long-term debt due to a recalculation of the capital lease liability for equipment held by the Department of Natural Resources.
- \$28 thousand decrease in premium on general obligation bond payable due to an error in prior year amortization.
- \$200,807 thousand decrease in total capital assets reported for Governmental Activities includes a \$17,423 decrease for infrastructure, \$819 thousand increase for equipment not previously reported, \$1,092 thousand decrease for land reported by the Alaska Mental Health Trust Authority and the University of Alaska, \$7,529 increase in construction in progress due to software costs not previously reported, \$189,296 decrease in construction in progress due to reclassified activity, and \$1,344 thousand decrease for buildings reported by the international airports fund.

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

GASB Statement No. 3 requires disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the deposits or securities fails. Deposits are classified into three categories of credit risk: Category 1 – Insured or collateralized with securities held by the State or its custodian in the State's name; Category 2 –

Collateralized with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 – Uncollateralized. Investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 - Insured or registered, or securities held by the State or its custodian in the State's name; Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name. Category 1 is the highest level of safekeeping as defined by GASB for both deposits and investments.

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

By law, all deposits and investments are under the fiduciary responsibility of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other entities or boards responsible for separate subdivisions or component units of the State. Those agencies and component units that manage their own cash and investments are: Alaska Permanent Fund Corporation, Alaska Energy Authority, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Municipal Bond Bank Authority, Alaska Railroad Corporation, Alaska Mental Health Trust Authority, Alaska Science and Technology Foundation, Alaska Student Loan Corporation, Alaska State Pension Investment Board, Exxon Valdez Oil Spill Trustee Council, and the University of Alaska.

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

As the fiduciary, the Commissioner has the statutory authority (AS 37.10.070 - 37.10.071) to invest the assets under the Prudent Investor Rule which requires that investments shall be made with the judgement 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, Non-retirement Domestic Fixed Income and Non-retirement Domestic Equity, investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division or by contracted external investment managers. External management companies manage the International Equity Pool, Non-retirement Domestic Fixed Income and the Non-retirement Domestic Equity investments. Treasury Division staff act as oversight manager for all externally managed investments. The Short-term Fixed Income Pool, Intermediate-term Fixed Income Pool and the Broad Market Fixed Income Pool are internally managed. Information related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division.

Investments are recorded at fair value as defined by GASB Statement No. 31, except for tobacco revenue fixed income investments, which are valued at their principal balance (cost) which approximates fair value.

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Non-retirement Domestic Fixed Income and the Non-retirement Domestic Equity investments cannot be categorized because the amounts reported represent interests in open-ended mutual fund-like pools rather than ownership of specific, identifiable securities. The Government Money Market Fund, Short-term Investment Account and the Fidelity Money Market Fund are externally pooled funds/accounts that cannot be categorized because the amounts reported represent interests in the fund/account rather than ownership of specific, identifiable securities. The Tobacco Revenue Fixed Income investment agreement is not a transferable financial instrument and therefore cannot be categorized with regard to credit risk.

Trade date accounting is used for investment activity. Unsettled purchase transactions do not present credit risk as the State and its custodian do not hold a deposit or margin account against unsettled purchases. Unsettled purchases and unsettled sale transactions related to mortgage-backed security pools yet to be announced do not present custodial risk because the State has not taken possession of specific securities. These unsettled investment transactions cannot be categorized.

Deposits and investments at June 30, 2004, are summarized as follows (in thousands):

| <u>Deposits</u>   | <u>Category 1</u>   | <u>Category 2</u> | <u>Category 3</u> | <u>Fair Value</u>   |
|---|---------------------|-------------------|-------------------|---------------------|
| Noninterest bearing   | \$ 10,973           | \$ -              | \$ 13,922         | \$ 24,895           |
| Interest bearing  | -                   | -                 | 138               | 138                 |
| Total deposits  | <u>\$ 10,973</u>    | <u>\$ -</u>       | <u>\$ 14,060</u>  | <u>\$ 25,033</u>    |
| <br>  |                     |                   |                   |                     |
| <u>Investments</u>  | <u>Category 1</u>   | <u>Category 2</u> | <u>Category 3</u> | <u>Fair Value</u>   |
| Commercial paper  | \$ 366,377          | \$ -              | \$ -              | \$ 366,377          |
| U.S. Treasury Notes   | 698,939             | -                 | -                 | 698,939             |
| U.S. Treasury Bonds   | 46,656              | -                 | -                 | 46,656              |
| U.S. Treasury Strips  | 11,902              | -                 | -                 | 11,902              |
| U.S. Government Agency  | 192,061             | -                 | -                 | 192,061             |
| Corporate debt  | 1,032,300           | -                 | -                 | 1,032,300           |
| Yankees   | 58,883              | -                 | -                 | 58,883              |
| Asset backed securities   | 950,927             | -                 | -                 | 950,927             |
| Mortgage backed securities  | 911,450             | -                 | -                 | 911,450             |
| <br>  |                     |                   |                   |                     |
| International equities – common stock   | 152,015             | -                 | -                 | 152,015             |
| Total categorized investments   | <u>\$ 4,421,510</u> | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 4,421,510</u> |
| Not categorized:  |                     |                   |                   |                     |
| Nonretirement Domestic Fixed Income Pool  |                     |                   |                   | \$ 25,934           |
| Nonretirement Domestic Equity Pool  |                     |                   |                   | 528,060             |
| Government Money Market Fund  |                     |                   |                   | 2,918               |
| Short-term Investment Account   |                     |                   |                   | 14,240              |
| Fidelity Money Market Fund  |                     |                   |                   | 1                   |
| Tobacco Revenue Fixed Income<br>Investment Agreement  |                     |                   |                   | 17,619              |
| Unsettled investment transactions   |                     |                   |                   | 615                 |
| Interest and dividends receivable   |                     |                   |                   | 19,355              |
| Total investments not categorized   |                     |                   |                   | <u>608,742</u>      |
| Investments under the control of others:  |                     |                   |                   |                     |
| Alaska State Pension Investment Board   |                     |                   |                   | (209,649)           |
| Exxon Valdez Oil Spill Trustee Council  |                     |                   |                   | (170,755)           |
| University of Alaska  |                     |                   |                   | (44,538)            |
| Alaska Mental Health Trust Authority  |                     |                   |                   | <u>(21,347)</u>     |
| Deposits and Investments under the fiduciary<br>responsibility of the Commissioner of Revenue |                     |                   |                   | <u>\$ 4,608,996</u> |

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

### 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 market value. In January 2001, 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, 2004, the fair value of securities on loan totaled \$802 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 fully collateralized at not less than 105 percent of their fair value. All other security loans are fully collateralized at not less than 102 percent of their fair value. The Bank invests the cash collateral in a commingled investment pool; maturities of these investments generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. The Bank may pledge or sell collateral upon borrower default. Since the Commissioner does not have the ability to pledge or sell the collateral unless the borrower defaults, no assets or liabilities are recorded on the financial statements. 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 subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank. The Bank and the borrower receive a fee from earnings on invested collateral.

For the year ended June 30, 2004, 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.

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

The State International Equity Pool includes foreign currency forward contracts to sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The contracts each had maturity periods of six days. Net unrealized gains with respect to such contracts, calculated using forward rates at June 30, are attributable on a pro rata basis to the funds invested in the State International Equity Pool.

At June 30, 2004, the Funds had sale contracts outstanding totaling \$956,798. The fair value of these contracts, using the forward rate at June 30, 2004, was \$954,063. This resulted in net unrealized gains of \$2,734 at June 30, 2004.

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 this 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.

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

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

##### PENSION FUNDS

ASPIB has statutory responsibility for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ASPIB has the statutory authority to invest the assets under the Prudent Investor Rule. Alaska Statute provides 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.

Investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division or by contracted external investment managers. External management companies manage the External Domestic Fixed Income Pool, International Fixed Income Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Real Estate Pool, Other Investments Pool and Private Equity Pool investments. In addition to acting as oversight manager for all externally managed investments, Treasury Division staff manage the Alaska Retirement Fixed Income Investment Pool, all mortgage-related assets and cash holdings of certain external domestic equity managers. Information related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division.

Investments are recorded at fair value as defined by GASB Statement No. 31, except for mortgage-related assets, which are valued at their principal balance (cost) less an allowance for loan loss, the result of which approximates fair value.

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Short-term Investment Account is a pooled account that cannot be categorized because the amount reported represents an interest in the pooled account rather than ownership of specific, identifiable securities. The Short-term Fixed Income Pool contains assets of other participants outside the control of ASPIB and, as such, cannot be categorized because the amounts

reported represent interests in the pool rather than ownership of specific, identifiable securities. The Government Short-term Investment Fund is an institutional investment pool and, as such, cannot be categorized because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities. The emerging market equities, limited partnerships, real estate, and mortgage related assets are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

Trade date accounting is used for investment activity. Unsettled purchase transactions do not present credit risk as ASPIB and its custodian do not hold a deposit or margin account against unsettled purchases. Unsettled purchase and unsettled sale transactions related to mortgage-backed security pools yet to be announced do not present custodial risk because ASPIB has not taken possession of specific securities. These unsettled investment transactions cannot be categorized.

Deposits and investments at June 30, 2004 are summarized as follows (in thousands):

| <u>Deposits</u>  | <u>Category 1</u>    | <u>Category 2</u> | <u>Category 3</u> | <u>Fair Value</u>    |
|--|----------------------|-------------------|-------------------|----------------------|
| Interest bearing   | \$ -                 | \$ -              | \$ 5,052          | \$ 5,052             |
| <br>   |                      |                   |                   |                      |
| <u>Investments</u>   | <u>Category 1</u>    | <u>Category 2</u> | <u>Category 3</u> | <u>Fair Value</u>    |
| U.S. Treasury Notes  | \$ 328,746           | \$ -              | \$ -              | \$ 328,746           |
| U.S. Treasury Bonds  | 175,768              | -                 | -                 | 175,768              |
| U.S. Treasury Strips   | 36,474               | -                 | -                 | 36,474               |
| U.S. Government Agency Discount Notes                          | 210,132              | -                 | -                 | 210,132              |
| U.S. Government Agency   | 193,035              | -                 | -                 | 193,035              |
| Corporate debt   | 737,598              | -                 | -                 | 737,598              |
| Yankees  | 39,898               | -                 | -                 | 39,898               |
| Convertible bonds  | 5,402                | -                 | -                 | 5,402                |
| Asset backed securities  | 133,784              | -                 | -                 | 133,784              |
| Mortgage backed securities                                     | 1,238,334            | -                 | -                 | 1,238,334            |
| International fixed income - government                        | 327,591              | -                 | -                 | 327,591              |
| International fixed income - corporate                         | 100,869              | -                 | -                 | 100,869              |
| Domestic equities  | 4,856,769            | -                 | -                 | 4,856,769            |
| International equities   | 1,990,468            | -                 | -                 | 1,990,468            |
| Total categorized investments                                  | <u>\$ 10,374,868</u> | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ 10,374,868</u> |
| <br>   |                      |                   |                   |                      |
| Not categorized  |                      |                   |                   |                      |
| Short-term Investment Account                                  |                      |                   |                   | 15,901               |
| Short-term Fixed Income Pool                                   |                      |                   |                   | 209,657              |
| Government Short-term Investment Fund                          |                      |                   |                   | 23,117               |
| Emerging market equities                                       |                      |                   |                   | 152,584              |
| Limited Partnerships   |                      |                   |                   | 409,861              |
| Real estate  |                      |                   |                   | 930,404              |
| Mortgage-related assets  |                      |                   |                   | 179                  |
| Unsettled investment transactions                              |                      |                   |                   | 994                  |
| Interest and dividends receivable                              |                      |                   |                   | 45,664               |
| Total investments not categorized                              |                      |                   |                   | <u>1,788,361</u>     |
| Total investments  |                      |                   |                   | <u>12,163,229</u>    |
| Total deposits and investments                                 |                      |                   |                   | <u>\$ 12,168,281</u> |
| <br>   |                      |                   |                   |                      |
| <u>Participant's Ownership in Pooled Investments</u>           |                      |                   |                   |                      |
| Public Employees' Trust Fund                                   |                      |                   |                   | \$ 8,175,492         |
| Teachers' Trust Fund   |                      |                   |                   | 3,908,889            |
| Judicial Trust Fund  |                      |                   |                   | 70,427               |
| Alaska National Guard and Alaska Naval Militia Retirement Fund |                      |                   |                   | 13,473               |
| Total  |                      |                   |                   | <u>\$ 12,168,281</u> |

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

**Securities Lending**

Alaska Statute 37.10.071 authorizes the ASPIB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent market value. In January 2001, the ASPIB entered into an agreement with State Street Corporation (the Bank) to lend fixed income, domestic equity and international equity securities. The Bank, acting as the ASPIB’s agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2004 the fair value of securities on loan allocable to the Pension Funds Invested Assets totaled \$1,431 million. There is no limit to the amount that can be loaned and the ASPIB is able to sell securities on loan. International equity security loans are fully collateralized at not less than 105 percent of their fair value. All other security loans are fully collateralized at not less than 102 percent of their fair value. The Bank invests the cash collateral in a commingled investment pool; maturities of these investments generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. The Bank may pledge or sell collateral upon borrower default. Since ASPIB does not have the ability to pledge or sell the collateral unless the borrower defaults, no assets or liabilities are recorded on the financial statements. There is limited credit risk associated with the lending transactions since the ASPIB is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank. The Bank and the borrower receive a fee from earnings on invested collateral.

For the year ended June 30, 2004 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.

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

The International Equity and International Fixed Income Pools include 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 forty-five to ninety-six days. The Pension Funds Invested Assets had net unrealized losses with respect to such contracts, calculated using forward rates at June 30, as follows:

|                                    |                     |
|------------------------------------|---------------------|
| Net contract sales                 | \$ 7,442,749        |
| Less: fair value                   | 7,935,218           |
| Net unrealized losses on contracts | <u>\$ (492,469)</u> |

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

**Commitments and Contingencies**

The ASPIB entered into agreements through external investment managers to provide capital funding for limited and general partnerships as it continues to build the private equity portfolio. At June 30, 2004, the Pension Funds unfunded commitments totaled \$475,176,203 to be paid through the year 2009.

The ASPIB entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the other investment portfolio. At June 30, 2004, the Pension Funds unfunded commitment totaled \$68,000,000 to be paid through the year 2014.

The ASPIB entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2004, the Pension Funds unfunded commitments totaled \$98,238,964 to be paid through the year 2007.

### DEFERRED COMPENSATION

The State's Internal Revenue Code Section 457 deferred compensation plan holds investments in an Interest Income Fund and several collective investment funds: the Equity Fund, Bond Fund, International Equity Fund, Citizens Core Growth Fund, Small CAP Stock Trust Fund, S&P 500 Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Government/Credit Bond Fund, and the Intermediate Bond Fund. As of December 31, 2003, deferred compensation plan investments totaled \$410.8 million.

The Interest Income Fund is increased by contributions and earnings, and decreased by investment expenses and participant withdrawals paid to terminated members. The Interest Income Fund holds synthetic investment contracts (\$114.6 million) and shares in the Short-term Investment Fund (\$8.2 million) comprised of cash and cash equivalents. The investment contracts are stated at contract values, which approximate fair value. The investment contracts cannot be categorized into one of the three risk categories because they do not represent transferable financial instruments. Residual cash is held by the custodian in the Short-term Investment Fund in the State's name. Assets in the Short-term Investment Fund are comprised of short-term debt instruments with maturities not to exceed 13 months and are valued at fair value. The Short-term Investment Fund is a commingled investment fund and, as such, cannot be categorized into one of the three risk categories because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities.

Investments in collective investment funds (\$288.1 million), 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. The unit value is determined by the trustees based on the fair market value of the underlying assets. Purchases and sales of assets within the collective investment funds are recorded on a trade-date basis. Investments in collective investment funds cannot be categorized into one of the three risk categories because they represent interests (shares) in funds rather than ownership of specific, identifiable securities.

### SUPPLEMENTAL BENEFITS SYSTEM

Supplemental Benefits System (SBS) holds shares in the following participant-directed investment options: Alaska Balanced Fund, Alaska Target 2005 Fund, Alaska Target 2010 Fund, Alaska Target 2015 Fund, Alaska Target 2020 Fund, Long Term Balanced Fund, Small CAP Stock Trust Fund, International Equity Fund, S&P 500 Stock Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Daily Government/Corporate Bond Fund, Citizens Core Growth Fund, and the Short-term Investment Fund. SBS also holds shares in the State's internally managed Short-term Fixed Income Pool. At January 31, 2004, SBS investments totaled \$1.85 billion (fair value). All assets are held in trust.

SBS investments in the Alaska Balanced Fund, Long Term Balanced Fund and the four Target 2000-series investment options are formed through combinations of six wholly-owned pooled investment funds: the Government National Mortgage Association Pool, Government/Corporate Pool, Cash Pool, Large Cap Equity Pool, Small Cap Equity Pool, and the International Equity Pool. Purchases and sales of underlying securities within the six investment pools are recorded on a trade-date basis, and all assets are recorded at fair value. The State's custodian bank holds the underlying securities in the State's name. Each pool's residual cash is held in the Short-term Investment Fund, a commingled investment fund.

SBS investments in the S&P 500 Stock Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Daily Government/Corporate Bond Fund, Short-term Investment Fund, Money Market Fund, Citizens Core Growth Fund, Small Cap Stock Trust Fund, and the International Equity Fund are represented by shares in collective investment funds. All assets are stated at fair value based on the unit value as reported by the trustees multiplied by the number of units held by each of the respective collective investment funds. Unit value is determined by the trustees based on the fair value of the underlying assets. Purchases and sales of units are recorded on a trade-date basis.

Cash and cash equivalents consist of holdings in an institutional Short-term Investment Fund that cannot be categorized because it represents an interest (shares) in a fund rather than ownership of specific, identifiable securities. The collective investment funds cannot be categorized as they represent interests in funds rather than ownership of specific securities.



Investments at January 31, 2004, are summarized as follows (in thousands):

| <u>Investments</u>          | <u>Category 1</u> | <u>Category 2</u> | <u>Category 3</u> | Not<br><u>Categorized</u> | <u>Fair Value</u>   |
|-----------------------------|-------------------|-------------------|-------------------|---------------------------|---------------------|
| Pooled investment funds     | \$ 1,197,622      | \$ -              | \$ 303            | \$ 98,794                 | \$ 1,296,719        |
| Collective investment funds |                   |                   |                   | 550,146                   | 550,146             |
| Total                       |                   |                   |                   | <u>\$ 648,940</u>         | <u>\$ 1,846,865</u> |

Additional investment information is disclosed in the financial statements issued by the State's Supplemental Benefits System.

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

ALASKA PERMANENT FUND CORPORATION

Alaska Permanent Fund deposits and investments subject to classification according to GASB Statement No. 3 are within risk category 1, the lowest risk category, except uncollateralized, uninsured cash deposits. Such cash deposits total \$71,908,000 held in custodial accounts. Deposits and investments not subject to classification include money market funds, non-domestic equity emerging markets funds, real estate private equity investments, and mortgages and property notes receivable.

**CASH AND TEMPORARY INVESTMENTS**

All cash and temporary investments bear interest at competitive rates, and are summarized as follows at June 30, 2004 (in thousands):

|                      |                     |
|----------------------|---------------------|
| Cash (a)             | \$ 144,818          |
| U.S. agencies (b)    | 98,384              |
| Treasury bills (b)   | 986,067             |
| Commercial paper (c) | 267,725             |
| Total                | <u>\$ 1,496,994</u> |

- (a) The majority of cash represents share ownership in a money market fund, payable on demand, which is collateralized by underlying securities held by the money market fund in the name of the custodian.
- (b) Debt obligation guaranteed by the U.S. government held by the custodian in the name of the Fund.
- (c) Commercial paper rated investment grade, held by the custodian in the name of the Fund.

**MARKETABLE DEBT SECURITIES**

The Corporation is authorized by statute to invest Fund assets in (i) corporate bonds rated investment grade, (ii) obligations of the U.S. Treasury, its agencies and instrumentalities, and (iii) foreign obligations of comparable quality. All marketable debt securities are held by custodian banks in the name of the Fund. Marketable debt securities at June 30, 2004, are summarized as follows (in thousands):

|                            | <u>Cost</u>         | <u>Market</u>       | <u>Unrealized<br/>Gains/(Losses)</u> |
|----------------------------|---------------------|---------------------|--------------------------------------|
| Treasury notes/bonds       | \$ 2,635,951        | \$ 2,621,146        | \$ (14,805)                          |
| Mortgage-backed securities | 2,860,776           | 2,872,492           | 11,716                               |
| Other federal agencies     | 447,406             | 451,533             | 4,127                                |
| Corporate bonds            | 2,115,578           | 2,155,807           | 40,229                               |
| Nondomestic bonds          | 1,137,454           | 1,184,042           | 46,588                               |
| Total                      | <u>\$ 9,197,165</u> | <u>\$ 9,285,020</u> | <u>\$ 87,855</u>                     |

PREFERRED AND COMMON STOCK

The Corporation is authorized by statute to invest Fund assets in the preferred and common stock of United States and nondomestic corporations. All investments in preferred and common stock, except for one, are held by custodian banks in the name of the Fund. The exception is a commingled fund investment in the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc. The assets of this fund are held by the custodian bank of the fund manager, on behalf of the commingled fund's investors. The market value of the Fund's shares in the EMGF was \$351,860,000 as of June 30, 2004. The value of the Fund's investment in the commingled fund represented approximately 2.2 percent of the total EMGF value at June 30, 2004.

Preferred and common stock at June 30, 2004, are summarized as follows (in thousands):

|                   | Cost          | Market        | Unrealized<br>Gains/(Losses) |
|-------------------|---------------|---------------|------------------------------|
| Domestic          | \$ 8,895,449  | \$ 10,856,996 | \$ 1,961,547                 |
| Nondomestic bonds | 4,257,875     | 4,979,272     | 721,397                      |
| Total             | \$ 13,153,324 | \$ 15,836,268 | \$ 2,682,944                 |

ALASKA CERTIFICATES OF DEPOSIT

The Corporation is authorized by statute and Corporate 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, primarily in the form of letters of credit from the Federal Home Loan Bank or U.S. government securities, secure these investments.

REAL ESTATE

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

The Corporation routinely analyzes private equity real estate holdings for permanent impairment, in accordance with Corporate resolution 00-10 and Financial Accounting Standard 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). During the fiscal year ended June 30, 2004, four private equity real estate holdings were analyzed for permanent impairment. This review indicated all four of the assets were impaired, as determined based on projected cash flows from each asset over their expected holding periods. Consequently, the carrying values of these assets were written down to their market values, based on the most recent independent appraisal. The charge to the asset carrying value and operating income for all impaired assets totaled \$17,250,000. The statement of revenues, expenditures and changes in fund balances includes this amount in the net increase (decrease) in the fair value of investments – real estate.

The carrying value of real estate at June 30, 2004, was \$2,086,928,000. Private equity real estate investments, commingled funds, property notes receivable, and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Public equity real estate investment (real estate investment trusts) are recorded in the financial statements at their market value.

In the ordinary course of business, the Corporation has made Fund commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a material adverse effect on the Funds financial position, results of operation, or liquidity.

Real estate investments at June 30, 2004, are summarized as follows (in thousands):

|                               | Cost/Equity<br>Value | Market Value        | Unrealized<br>Gains/(Losses) | Carrying<br>Value   |
|-------------------------------|----------------------|---------------------|------------------------------|---------------------|
| Commingled funds              | \$ 1,043             | \$ 853              | \$ (190)                     | \$ 1,043            |
| Real estate investment trusts | 714,941              | 969,220             | 254,279                      | 969,220             |
| Alaska residential mortgages  | 84                   | 84                  | -                            | 84                  |
| Property note receivable      | 3,273                | 3,273               | -                            | 3,273               |
| Direct investments:           |                      |                     |                              |                     |
| Retail                        | 257,320              | 274,861             | 17,541                       | 257,320             |
| Office                        | 464,845              | 499,128             | 34,283                       | 464,845             |
| Industrial                    | 135,964              | 148,869             | 12,905                       | 135,964             |
| Residential                   | 255,179              | 291,352             | 36,173                       | 255,179             |
| Total                         | <u>\$ 1,832,649</u>  | <u>\$ 2,187,640</u> | <u>\$ 354,991</u>            | <u>\$ 2,086,928</u> |

**NORTHERN TOBACCO SECURITIZATION CORPORATION**

Bank investments agreements and other investments are categorized below (in thousands):

| <u>INVESTMENTS</u>            | Category 1       | Category 2  | Category 3       | Fair Value       |
|-------------------------------|------------------|-------------|------------------|------------------|
| Bank investment agreements    | \$ -             | \$ -        | \$ 17,301        | \$ 17,301        |
| U.S. agency securities        | 11,055           | -           | -                | 11,055           |
| Total categorized investments | <u>\$ 11,055</u> | <u>\$ -</u> | <u>\$ 17,301</u> | <u>\$ 28,356</u> |

**DISCRETELY PRESENTED COMPONENT UNITS**

At June 30, 2004, the discretely presented component units' investments by risk category were (in thousands):

| <u>INVESTMENTS</u>                               | Category 1          | Category 2        | Category 3        | Fair Value          |
|--|---------------------|-------------------|-------------------|---------------------|
| U.S. Treasury securities                         | \$ 320,300          | \$ 17,393         | \$ -              | \$ 337,693          |
| U.S. Government agency securities                | 325,346             | 55,274            | -                 | 380,620             |
| Corporate securities                             | 478,962             | 306,969           | 218,275           | 1,004,206           |
| Total categorized investments                    | <u>\$ 1,124,608</u> | <u>\$ 379,636</u> | <u>\$ 218,275</u> | <u>\$ 1,722,519</u> |
| Not categorized                                  |                     |                   |                   |                     |
| Equity in State treasury                         |                     |                   |                   | 277,766             |
| Equity in Permanent Fund Corporation investments |                     |                   |                   | 344,928             |
| Other  |                     |                   |                   | 544,068             |
| Total  |                     |                   |                   | <u>\$ 2,889,281</u> |

**NOTE 5 – CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

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

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

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

State of Alaska art, library reserve, and museum collections that are considered inexhaustible, in that their value does not diminish over time, are not capitalized. These assets are: held for public exhibition, education, or research rather than financial gain; protected, kept unencumbered, cared for, and preserved; and 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, 2004, were as follows (in millions).

| Governmental Activities                     | Beginning Balance (restated) | Additions | Deletions | Ending Balance |
|---|------------------------------|-----------|-----------|----------------|
| Capital assets not being depreciated:       |                              |           |           |                |
| Land  | \$ 658                       | \$ 13     | \$ (1)    | \$ 670         |
| Construction in progress                    | 1,960                        | 457       | (230)     | 2,187          |
| Total capital assets not being depreciated  | 2,618                        | 470       | (231)     | 2,857          |
| Capital assets being depreciated:           |                              |           |           |                |
| Buildings                                   | 1,060                        | 73        | (84)      | 1,049          |
| Equipment                                   | 571                          | 96        | (15)      | 652            |
| Infrastructure                              | 354                          | 113       |           | 467            |
| Total Capital assets being depreciated      | 1,985                        | 282       | (99)      | 2,168          |
| Less accumulated depreciation for:          |                              |           |           |                |
| Buildings                                   | (359)                        | (21)      | -         | (380)          |
| Equipment                                   | (290)                        | (29)      | 8         | (311)          |
| Infrastructure                              | (39)                         | (32)      | 1         | (70)           |
| Total accumulated depreciation              | (688)                        | (82)      | 9         | (761)          |
| Total capital assets being depreciated, net | 1,297                        | 200       | (90)      | 1,407          |
| Capital assets, net                         | \$ 3,915                     | \$ 670    | \$ (321)  | \$ 4,264       |

For the general fund and internal service funds, see note 3 for additional information on restated beginning balances due to prior period adjustments. In addition, construction in progress deletions include a \$25 million transfer of ownership to local school districts, which represent 11 percent of construction in progress deletions.

| Business-type Activities                    | Beginning<br>Balance | Additions     | Deletions   | Ending<br>Balance |
|---|----------------------|---------------|-------------|-------------------|
| Capital assets not being depreciated:       |                      |               |             |                   |
| Land  | \$ 29                | \$ 1          | \$ -        | \$ 30             |
| Construction in progress                    | 150                  | 101           | -           | 251               |
| Total capital assets not being depreciated  | <u>179</u>           | <u>102</u>    | <u>-</u>    | <u>281</u>        |
| Capital assets being depreciated:           |                      |               |             |                   |
| Buildings                                   | 298                  | 6             | -           | 304               |
| Equipment                                   | 43                   | 5             | -           | 48                |
| Infrastructure                              | 381                  | 41            | -           | 422               |
| Total Capital assets being depreciated      | <u>722</u>           | <u>52</u>     | <u>-</u>    | <u>774</u>        |
| Less accumulated depreciation for:          |                      |               |             |                   |
| Buildings                                   | (108)                | (9)           | -           | (117)             |
| Equipment                                   | (29)                 | (3)           | -           | (32)              |
| Infrastructure                              | (189)                | (15)          | -           | (204)             |
| Total accumulated depreciation              | <u>(326)</u>         | <u>(27)</u>   | <u>-</u>    | <u>(353)</u>      |
| Total capital assets being depreciated, net | <u>396</u>           | <u>25</u>     | <u>-</u>    | <u>421</u>        |
| Capital assets, net                         | <u>\$ 575</u>        | <u>\$ 127</u> | <u>\$ -</u> | <u>\$ 702</u>     |

The following relates to the land owned by the state:

- The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 90.9 million acres have been patented or “tentatively approved.”
- The state disposes of various land parcels through several programs. However, the state generally retains the subsurface rights of the land upon disposal.

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

| Governmental Activities   | Amount       |
|---|--------------|
| General Government  | \$ 2         |
| Education   | 7            |
| Health and Human Services   | 6            |
| Law and Justice   | 2            |
| Natural Resources   | 1            |
| Public Protection   | 5            |
| Transportation  | 41           |
| 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>16</u>    |
| Total Depreciation Expense – Governmental Activities  | <u>\$ 80</u> |
| Business-type Activities  |              |
| Enterprise  | <u>\$ 27</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, 2004 (in millions):

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:       |                              |                  |                  |                           |
| Land  | \$ 59                        | \$ 3             | \$ -             | \$ 62                     |
| Library, media, and museum collections      | 48                           | 2                | -                | 50                        |
| Construction in progress                    | 298                          | 180              | (237)            | 241                       |
| Infrastructure                              | -                            | -                | -                | -                         |
| Total capital assets not being depreciated  | <u>405</u>                   | <u>185</u>       | <u>(237)</u>     | <u>353</u>                |
| Capital assets being depreciated:           |                              |                  |                  |                           |
| Buildings                                   | 928                          | 122              | (2)              | 1,048                     |
| Equipment                                   | 302                          | 54               | (7)              | 349                       |
| Infrastructure                              | 607                          | 95               | -                | 702                       |
| Total Capital assets being depreciated      | <u>1,837</u>                 | <u>271</u>       | <u>(9)</u>       | <u>2,099</u>              |
| Less accumulated depreciation for:          |                              |                  |                  |                           |
| Buildings                                   | (388)                        | (44)             | 1                | (431)                     |
| Equipment                                   | (166)                        | (29)             | 7                | (188)                     |
| Infrastructure                              | (216)                        | (27)             | -                | (243)                     |
| Total accumulated depreciation              | <u>(770)</u>                 | <u>(100)</u>     | <u>8</u>         | <u>(862)</u>              |
| Total capital assets being depreciated, net | <u>1,067</u>                 | <u>171</u>       | <u>(1)</u>       | <u>1,237</u>              |
| Capital assets, net                         | <u>\$ 1,472</u>              | <u>\$ 356</u>    | <u>\$ (238)</u>  | <u>\$ 1,590</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; protected, kept unencumbered, cared for, and preserved; and proceeds from the sale of collection items are used to acquire other items for collections.

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

**A. SUMMARY OF CHANGES**

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2004 (in thousands):

| <b>Governmental Activities</b> | Beginning<br>Balance<br>(restated) | Increases         | Decreases         | Ending<br>Balance   | Amounts Due<br>Within One<br>Year |
|--------------------------------|------------------------------------|-------------------|-------------------|---------------------|-----------------------------------|
| Revenue bonds payable          | \$ 224,599                         | \$ -              | \$ 6,283          | \$ 218,316          | \$ -                              |
| General obligation debt        | 499,513                            | -                 | 6,927             | 492,586             | 29,469                            |
| Notes payable                  | 4,733                              | -                 | 1,346             | 3,387               | 1,902                             |
| Capital leases payable         | 272,480                            | 15,632            | 93,620            | 194,492             | 23,756                            |
| Unearned & deferred revenue    | 179,305                            | 36,962            | 22,288            | 193,979             | 186,035                           |
| Certificates of participation  | 16,000                             | 14,145            | -                 | 30,145              | 1,580                             |
| Compensated absences           | 114,024                            | 101,293           | 98,265            | 117,052             | 117,052                           |
| Claims and judgments           | 83,908                             | 12,708            | 22,992            | 73,624              | 27,891                            |
| Other noncurrent liabilities   | 3,323                              | -                 | 2,479             | 844                 | 530                               |
| Total                          | <u>\$ 1,397,885</u>                | <u>\$ 180,740</u> | <u>\$ 254,200</u> | <u>\$ 1,324,425</u> | <u>\$ 388,215</u>                 |

| <b>Business-type Activities</b> | Beginning<br>Balance | Increases        | Decreases        | Ending<br>Balance | Amounts Due<br>Within One<br>Year |
|---------------------------------|----------------------|------------------|------------------|-------------------|-----------------------------------|
| Revenue bonds payable           | \$ 356,510           | \$ 95,351        | \$ 29,720        | \$ 422,141        | \$ 12,138                         |
| Unearned & deferred revenue     | 3,887                | 525              | -                | 4,412             | 4,412                             |
| Compensated absences            | -                    | 142              | 103              | 39                | 39                                |
| Other noncurrent liabilities    | 5,473                | 314              | 5,453            | 334               | -                                 |
| Total                           | <u>\$ 365,870</u>    | <u>\$ 96,332</u> | <u>\$ 35,276</u> | <u>\$ 426,926</u> | <u>\$ 16,589</u>                  |

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

**GENERAL OBLIGATION BONDS**

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2004, 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>    |
|---------------------------------|------------------|-----------------|-----------------|
| 2005                            | \$ 23.6          | \$ 22.8         | \$ 46.4         |
| 2006                            | 24.1             | 21.5            | 45.6            |
| 2007                            | 24.8             | 20.3            | 45.1            |
| 2008                            | 25.4             | 19.0            | 44.4            |
| 2009                            | 26.2             | 17.7            | 43.9            |
| 2010-2014                       | 146.4            | 66.2            | 212.6           |
| 2015-2019                       | 112.2            | 32.8            | 145.0           |
| 2020-2024                       | 79.2             | 9.4             | 88.6            |
| Total debt service requirements | 461.9            | <u>\$ 209.7</u> | <u>\$ 671.6</u> |
| Unamortized bond premium        | 30.7             |                 |                 |
| Total principal outstanding     | <u>\$ 492.6</u>  |                 |                 |

The legislature authorized the issuance of general obligation bonds within chapter 114, SLA 2002 and chapter 2, SSSLA 2002 for a total of \$463,524,941. As of the end of FY 2004, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS

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

| <u>Year Ending June 30</u>      | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|------------------|-----------------|--------------|
| 2005                            | \$ -             | \$ 12.5         | \$ 12.5      |
| 2006                            | -                | 12.6            | 12.6         |
| 2007                            | -                | 12.5            | \$ 12.5      |
| 2008                            | 6.2              | 12.6            | 18.8         |
| 2009                            | 6.5              | 12.3            | 18.8         |
| 2010-2014                       | 41.0             | 55.2            | 96.2         |
| 2015-2019                       | 46.1             | 43.5            | 89.6         |
| 2020-2024                       | 45.7             | 30.8            | 76.5         |
| 2025-2029                       | 62.7             | 15.5            | 78.2         |
| 2030-2031                       | 12.2             | 1.2             | 13.4         |
| Total debt service requirements | 220.4            | \$ 208.7        | \$ 429.1     |
| Unamortized bond discounts      | (2.1)            |                 |              |
| Total principal outstanding     | \$ 218.3         |                 |              |

INTERNATIONAL AIRPORTS REVENUE BONDS

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

| <u>Year Ending June 30</u>                    | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2005  | \$ 12.1          | \$ 21.6         | \$ 33.7      |
| 2006  | 12.7             | 20.5            | 33.2         |
| 2007  | 13.5             | 20.3            | 33.8         |
| 2008  | 13.8             | 19.5            | 33.3         |
| 2009  | 14.3             | 18.9            | 33.2         |
| 2010-2014                                     | 82.6             | 83.7            | 166.3        |
| 2015-2019                                     | 96.1             | 60.9            | 157.0        |
| 2020-2024                                     | 120.7            | 33.2            | 153.9        |
| 2025-2028                                     | 61.3             | 10.8            | 72.1         |
| Total debt service requirements               | 427.1            | 289.4           | 716.5        |
| Unamortized bond issuance costs and discounts | (5.0)            |                 |              |
| Total principal outstanding                   | \$ 422.1         |                 |              |



**C. CAPITAL AND OPERATING LEASES**

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

| <u>Governmental Activities</u><br>Year Ending June 30 | Operating<br>Leases | Capital Leases  |                |                 |
|---|---------------------|-----------------|----------------|-----------------|
|   |                     | Principal       | Interest       | Total           |
| 2005  | \$ 28.5             | \$ 23.7         | \$ 9.4         | \$ 33.1         |
| 2006  | 25.6                | 22.5            | 8.4            | 30.9            |
| 2007  | 23.0                | 17.6            | 7.5            | 25.1            |
| 2008  | 20.8                | 16.6            | 6.7            | 23.3            |
| 2009  | 17.7                | 13.7            | 5.9            | 19.6            |
| 2010-2014   | 36.8                | 53.1            | 20.6           | 73.7            |
| 2015-2019   | 3.0                 | 36.8            | 8.4            | 45.2            |
| 2020-2024   | 0.4                 | 10.5            | 0.8            | 11.3            |
| 2025-2029   | 0.4                 | -               | -              | -               |
| 2030-2034   | 0.4                 | -               | -              | -               |
| 2035-2039   | 0.4                 | -               | -              | -               |
| 2040-2044   | 0.4                 | -               | -              | -               |
| 2045-2049   | 0.2                 | -               | -              | -               |
| Total   | <u>\$ 157.6</u>     | <u>\$ 194.5</u> | <u>\$ 67.7</u> | <u>\$ 262.2</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, 2004 (expressed in millions):

| <u>Governmental Activities</u><br>Year Ending June 30 | Certificates of Participation |                |                |
|---|-------------------------------|----------------|----------------|
|   | Principal                     | Interest       | Total          |
| 2005  | \$ 1.6                        | \$ 1.6         | \$ 3.2         |
| 2006  | 1.8                           | 1.2            | 3.0            |
| 2007  | 1.8                           | 1.1            | 2.9            |
| 2008  | 1.9                           | 1.1            | 3.0            |
| 2009  | 2.0                           | 1.0            | 3.0            |
| 2010-2014   | 11.0                          | 3.7            | 14.7           |
| 2015-2019   | 10.0                          | 1.1            | 11.1           |
| Total   | <u>\$ 30.1</u>                | <u>\$ 10.8</u> | <u>\$ 40.9</u> |

**E. DISCRETELY PRESENTED COMPONENT UNITS**

Debt service requirements are (in millions):

| Year Ending June 30  | Principal  | Interest   | Total      |
|--|------------|------------|------------|
| 2005   | \$ 231.7   | \$ 196.1   | \$ 427.8   |
| 2006   | 172.1      | 186.8      | 358.9      |
| 2007   | 142.7      | 179.9      | 322.6      |
| 2008   | 127.3      | 174.0      | 301.3      |
| 2009   | 125.2      | 168.7      | 293.9      |
| 2010-2014  | 712.2      | 753.2      | 1,465.4    |
| 2015-2019  | 646.0      | 617.5      | 1,263.5    |
| 2020-2024  | 820.6      | 482.6      | 1,303.2    |
| 2025-2029  | 555.1      | 314.9      | 870.0      |
| 2030-2034  | 395.7      | 191.7      | 587.4      |
| 2035-2039  | 370.1      | 97.1       | 467.2      |
| 2040-2044  | 68.6       | 26.8       | 95.4       |
| 2045-2049  | 58.1       | 9.8        | 67.9       |
| Total debt service requirements  | \$ 4,425.4 | \$ 3,399.1 | \$ 7,824.5 |
| Unamortized discounts, unexpended bond proceeds,<br>accrued interest, & deferred amount on refunding | 8.1        |            |            |
| Total principal outstanding  | \$ 4,433.5 |            |            |

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

**F. AHFC DERIVATIVES**

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2004, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

| Year Ending June 30 | Outstanding       | Outstanding      | Swap              | Total             |
|---------------------|-------------------|------------------|-------------------|-------------------|
|                     | Variable-Rate     | Variable-Rate    |                   |                   |
|                     | Debt              | Debt             | Net Payment       | Payment           |
|                     | Principal         | Interest         |                   |                   |
| 2005                | \$ 3,505          | \$ 4,404         | \$ 13,285         | \$ 21,194         |
| 2006                | 3,640             | 4,387            | 13,169            | 21,196            |
| 2007                | 3,795             | 4,349            | 13,048            | 21,192            |
| 2008                | 4,640             | 4,311            | 12,919            | 21,870            |
| 2009                | 5,135             | 4,251            | 12,763            | 22,149            |
| 2010-2014           | 44,285            | 20,259           | 60,693            | 125,237           |
| 2015-2019           | 76,055            | 16,933           | 50,654            | 143,642           |
| 2020-2024           | 95,935            | 12,313           | 37,035            | 145,283           |
| 2025-2029           | 82,425            | 7,234            | 22,118            | 111,777           |
| 2030-2034           | 59,715            | 3,108            | 9,480             | 72,303            |
| 2035-2037           | 26,565            | 457              | 1,398             | 28,420            |
| Total               | <u>\$ 405,695</u> | <u>\$ 82,006</u> | <u>\$ 246,562</u> | <u>\$ 734,263</u> |

### SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2004, 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             | Notional          | Fair              | Effective | Fixed Rate | Variable                  | Termination | Counterparty        |
|---------------------|-------------------|-------------------|-----------|------------|---------------------------|-------------|---------------------|
| Bond                | Amounts           | Values            | Dates     | Paid       | Rate                      | Date        | Credit              |
| Issue               |                   |                   |           |            | Received                  |             | Rating <sup>6</sup> |
| GP01A <sup>1</sup>  | \$ 72,405         | \$ (4,206)        | 8/2/2001  | 4.1427%    | 67% of LIBOR <sup>4</sup> | 12/1/2030   | A/A2                |
| GP01B               | 88,485            | (5,233)           | 8/2/2001  | 4.1427%    | 67% of LIBOR              | 12/1/2030   | A+/Aa3              |
| E021A1 <sup>2</sup> | 50,000            | (2,408)           | 5/16/2002 | 4.1030%    | 68% of LIBOR              | 6/1/2032    | AAA/Aaa             |
| E021A2              | 120,000           | (6,050)           | 5/16/2002 | 4.3430%    | 68% of LIBOR              | 12/1/2036   | AAA/Aaa             |
| SC02B <sup>3</sup>  | 14,555            | (274)             | 12/5/2002 | 3.7700%    | 70% of LIBOR              | 7/1/2024    | AAA/Aaa             |
| SC02C               | 60,250            | 633               | 12/5/2002 | 4.3030%    | BMA <sup>5</sup> +0.115%  | 7/1/2022    | AAA/Aaa             |
| Total               | <u>\$ 405,695</u> | <u>\$(17,538)</u> |           |            |                           |             |                     |

<sup>1</sup> Governmental Purpose Bonds

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

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

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

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

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

### FAIR VALUE

Because interest rates have declined sharply and taxable/tax-exempt spreads have narrowed since the agreements became effective, all of AFHC's LIBOR-based interest rate swaps had a negative fair value while the single BMA-based interest swap had a positive fair value as of June 30, 2004. The negative fair values may be 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, 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, 2004, AHFC was exposed to credit risk on its BMA-based interest rate swap in the amount of the swap's positive fair value but was not exposed to credit risk on any of its outstanding LIBOR-based interest rate swaps because they all had negative fair values. 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 four separate counterparties. Approximately 60% of the notional amount of swaps, including the swap that is currently exposed to credit risk, is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa2 while the other counterparty is rated A/A2, approximating 22% and 18%, respectively, of the total outstanding notional swap value.
- **Basis Risk.** A majority of AHFC's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, AHFC is exposed to basis risk on the swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2004, the BMA rate was 1.08%, whereas LIBOR was 1.30%. Since the spread between LIBOR and BMA has narrowed, the expected cost savings from the swaps may not be as large as originally anticipated.
- **Rollover Risk.** Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. 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 swaps covering the 2001 Governmental Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured with several tranches, allowing 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.** 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. As of June 30, 2004, AHFC is not exposed to any additional termination risk on its interest rate swaps.

### NOTE 7 – DEFINED BENEFIT PENSION PLANS

#### **A. STATE ADMINISTERED PLANS**

##### DESCRIPTION OF PLANS

##### THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

PERS is a defined benefit, agent, multiple-employer public employee retirement system established and administered by the state to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by the state legislature. PERS provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits.

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

At June 30, 2004, the number of participating employers was:

|                  |            |
|------------------|------------|
| State of Alaska  | 3          |
| Municipalities   | 79         |
| School Districts | 53         |
| Other            | 26         |
| Total employers  | <u>161</u> |

Current employee contribution rates are 6.75 percent of compensation (7.5 percent for peace officers and firefighters and 9.6 percent for some school district employees). The employee contributions are deducted before federal income tax is withheld. The PERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment health care benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2004, was 7.65 percent of compensation (8.42 for peace officers and firefighters).

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

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

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

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

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

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

The state's annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2004, 2003, and 2002 were \$65.1, \$58.8, and \$55.7 million respectively. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

THE TEACHERS' RETIREMENT SYSTEM (TERS)

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

At June 30, 2004 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 is considered a component unit of the state financial reporting entity. TRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. TRS is also reported as a pension (and other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

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

Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional 1 percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2004, was 12 percent of compensation.

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

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

The state's contributions to TRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$5.5, \$4.9, and \$4.9 million respectively, equal to the required contributions for each year.

THE JUDICIAL RETIREMENT SYSTEM (JRS)

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

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

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

Members contribute 7 percent of their compensation to JRS. The contributions are deducted after federal income tax is withheld. Contributions are not required after members have made contributions for fifteen years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2004, was 28.28 percent of compensation.

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

| Actuarial<br>Valuation<br>Year Ended<br>June 30 | Actuarial<br>Value of<br>Plan Assets | Actuarial<br>Accrued<br>Liabilities<br>(AAL) | Funding Excess<br>(FE)/(Unfunded<br>Actuarial Accrued<br>Liabilities) (UAAL) | Funded<br>Ratio | Covered<br>Payroll | FE/(UAAL)<br>as a<br>Percentage of<br>Covered<br>Payroll |
|---|--------------------------------------|--|--|-----------------|--------------------|--|
| 1998  | \$60,794                             | \$57,780                                     | \$3,014  | 105.2%          | \$5,716            | 52.7%  |
| 2000  | 68,116                               | 68,888                                       | (772)  | 98.9%           | 5,702              | (13.5%)  |
| 2002  | 56,705                               | 63,970                                       | (7,265)  | 88.6%           | 5,942              | (122.3%)   |

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

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

| Actuarial<br>Valuation<br>Year Ended<br>June 30 | Actuarial<br>Value of<br>Plan Assets | Actuarial<br>Accrued<br>Liabilities<br>(AAL) | Funding Excess<br>(FE)/(Unfunded<br>Actuarial Accrued<br>Liabilities) (UAAL) | Funded<br>Ratio | Covered<br>Payroll | FE/(UAAL)<br>as a<br>Percentage of<br>Covered<br>Payroll |
|---|--------------------------------------|--|--|-----------------|--------------------|--|
| 1998  | \$3,896                              | \$3,703                                      | \$193  | 105.2%          | \$5,716            | 3.4%   |
| 2000  | 4,545                                | 4,596  | (51)   | 98.9%           | 5,702              | (0.9%)   |
| 2002  | 6,979                                | 7,873  | (894)  | 88.6%           | 5,942              | (15.0%)  |

The annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,786,835, \$1,746,251, and \$1,005,968. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

#### THE ALASKA NATIONAL GUARD AND ALASKA NAVAL MILITIA RETIREMENT SYSTEM (NGNMRS)

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

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

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

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

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

| Actuarial Valuation<br>Year Ended June 30 | Actuarial Value of<br>Plan Assets | Actuarial Accrued<br>Liabilities (AAL) | Unfunded Actuarial<br>Accrued Liabilities<br>(UAAL) | Funded<br>Ratio |
|---|-----------------------------------|--|---|-----------------|
| 1998                                      | \$12,671                          | \$14,252                               | (\$1,581)   | 88.9%           |
| 2000                                      | 13,734                            | 17,967                                 | (4,233)   | 76.4%           |
| 2002                                      | 12,114                            | 20,545                                 | (8,431)   | 59.0%           |

The annual required contributions for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,322,502, \$1,322,502, and \$879,784. The percentage contributed for each year was 100 percent.

#### THE ELECTED PUBLIC OFFICERS RETIREMENT SYSTEM (EPORS)

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

Plan members contribute 7 percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the state for EPORS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$1.8 million, \$1.4 million, and \$1.1 million. The contributions received from employees totaled \$16,039 in FY04. EPORS is a closed plan and no separate financial statement or actuarial valuation report is issued for EPORS.

#### ASSET VALUATION

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

| <u>Systems</u>   | <u>Fair Value</u> |
|--|-------------------|
| Public Employees' Retirement System                              | \$8,175,493       |
| Teachers' Retirement System                                      | 3,908,890         |
| Judicial Retirement System                                       | 70,427            |
| Alaska National Guard and Alaska Naval Militia Retirement System | 13,473            |

#### 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, 2004.

|  | <u>PERS</u><br>6/30/03 | <u>TRS</u><br>6/30/03 | <u>JRS</u><br>6/30/02 | <u>NGNMRS</u><br>6/30/02 | <u>EPORS</u><br>6/30/04 |
|--|------------------------|-----------------------|-----------------------|--------------------------|-------------------------|
| Retirees & beneficiaries receiving benefits &<br>Terminated members with future benefits | 24,272                 | 9,020                 | 82                    | 1,143                    | 36                      |
| Current active employees:  |                        |                       |                       |                          |                         |
| Vested   | 18,108                 | 5,289                 | 43                    | *                        | 4                       |
| Nonvested  | 15,957                 | 4,584                 | 13                    | 3,538                    | -                       |
| Total  | <u>58,337</u>          | <u>18,893</u>         | <u>138</u>            | <u>4,681</u>             | <u>40</u>               |

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



FUNDING STATUS AND PROGRESS

ACTUARIAL METHOD AND ASSUMPTIONS

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

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

The following main assumptions were used in the actuarial valuation.

| System | Investment<br>Return<br>Compounded<br>Annually | Salary Scale<br>Increase   | Health Cost Inflation   | Consumer<br>Price<br>Index<br>Inflation | Valuation<br>Date |
|--------|--|--|---|---|-------------------|
| PERS   | 8.25%  | 6.0% first 5 years - Police & Firefighters, 5.5% first 10 Years – all others | FY 04 - 05– 12.0%; FY 06 – 11.5%;<br>FY 07 – 11.0%; FY 08 – 10.5%;<br><br>FY 09–10.0%; FY 10 – 9.5%,<br>FY 11 – 9.0%, FY 12 – 8.5%, FY 13<br>– 8.0%, FY 14 – 7.5%, FY 15 –<br>7.0%, FY 16 - 6.0%, and FY 17 and<br>later – 5.0% | 3.5%                                    | 6/30/03           |
| TRS    | 8.25%  | 5.5% first 5 years   | FY 04 – 05 - 12.0%; FY 06 –<br>11.5%; FY 07 – 11.0%, FY 08 -<br>10.5%; FY 09 – 10.0%, FY 10 –<br>9.5%, FY 11 – 9.0%; FY 12 – 8.5%<br>FY 13 – 8.0%; FY 14 - 7.5%, FY 15<br>– 7.0%, FY 16 – 6.0%, and FY 17<br>and later – 5.0%   | 3.5%                                    | 6/30/03           |
| JRS    | 8.25%  | 4.0% per year  | FY 03 – 05 - 12.0%; FY 06 –<br>11.5%; FY 07 – 11.0%, FY 08<br>10.5%; FY 09 – 10.0%, FY 10 –<br>9.5%, FY 11 – 9.0%; FY 12 – 8.5%<br>FY 13 – 8.0%; FY 14 - 7.5%, FY 15<br>– 7.0%, FY 16 – 6.0%, and FY 17<br>and later – 5.0%     | 3.5%                                    | 6/30/02           |
| NGNMRS | 8.25%  | -  | -   | -                                       | 6/30/02           |
| EPORS  | 9.0%   | 6.0 % per year   | 9.0% per year   | -                                       | 6/30/86           |

All assets are at fair value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets.

**B. NON-STATE ADMINISTERED PLANS**

THE MARINE ENGINEERS' BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the state contributes an amount (set by union contract) for each employee. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$497.4 thousand in FY 04.

**NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS**

**A. STATE ADMINISTERED PLANS**

SUPPLEMENTAL BENEFITS SYSTEM

In addition to the pension plans (Note 7) and deferred compensation plan (Note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the Federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the state had not withdrawn, participate in SBS. Other employers whose employees participate in the state Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2004, there were fifteen other employers participating in SBS. There were approximately 31,990 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. The Alaska State Pension Investment Board is responsible for the specific investment of monies in SBS.

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, 2004, were \$97.6 million. The state's covered payroll was approximately \$796.0 million.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2004, were approximately \$4.6 million.

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

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

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2004. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds, in addition to participant contributions received during the year and deduction for administrative fees.

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

## **B. NON-STATE ADMINISTERED PLANS**

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

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$689.8 thousand in FY 04.

## **NOTE 9 – DEFERRED COMPENSATION PLAN**

The State of Alaska Deferred Compensation Plan (Plan) was created by Alaska statutes. It is a deferred compensation plan under section 457 of the Internal Revenue Code. It is available to all permanent employees or elected officials of the State (and with the April 1, 2003 amendment all long term non-permanent employees) who have completed a full pay period of employment. Participants authorize the state to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2003, the Plan had approximately 7,900 participants.

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

The Division of Retirement and Benefits is responsible for Plan administration and recordkeeping. The Alaska State Pension Investment Board is responsible for the specific investment of monies in the plan.

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

Deferred Compensation net assets as of December 31, 2003, were \$412.4 million. Deferred Compensation is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

**NOTE 10 – INTERFUND TRANSACTIONS**

The following schedules summarize individual interfund receivable and payable balances at June 30, 2004, 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           | \$ -                 | \$ 742                      | \$ 157                    | \$ 8,126               | \$ 2,241        | \$ 11,266         |
| Alaska Permanent Fund  | 581,246              | -                           | -                         | -                      | -               | 581,246           |
| Nonmajor               |                      |                             |                           |                        |                 |                   |
| Governmental Funds     | 3,746                | -                           | -                         | -                      | -               | 3,746             |
| International Airports | 45,153               | -                           | -                         | -                      | -               | 45,153            |
| Nonmajor               |                      |                             |                           |                        |                 |                   |
| Enterprise Funds       | 1,555                | -                           | -                         | -                      | -               | 1,555             |
| Internal Service Funds | 324                  | -                           | -                         | -                      | 358             | 682               |
| Fiduciary Funds        | 1,144                | -                           | -                         | -                      | -               | 1,144             |
| Other                  | 407                  | (1)                         | -                         | 717                    | (363)           | 760               |
| Total                  | <u>\$ 633,575</u>    | <u>\$ 741</u>               | <u>\$ 157</u>             | <u>\$ 8,843</u>        | <u>\$ 2,236</u> | <u>\$ 645,552</u> |

**INTERFUND TRANSFERS**

| Transfers From   | Transfers to      |                 |                             |                  |                        |              | Total             |
|------------------|-------------------|-----------------|-----------------------------|------------------|------------------------|--------------|-------------------|
|                  | General Fund      | Permanent Funds | Nonmajor Governmental Funds | Enterprise Funds | Internal Service Funds | Other        |                   |
| General Fund     | \$ -              | \$ -            | \$ 7,969                    | \$ 679           | \$ 4,641               | \$ 51        | \$ 13,340         |
| Permanent Fund   | 581,246           | -               | -                           | -                | -                      | -            | 581,246           |
| Nonmajor         |                   |                 |                             |                  |                        |              |                   |
| Governmental     | 300               | 2,386           | 48                          | -                | -                      | -            | 2,734             |
| Enterprise       | 5,115             | -               | -                           | -                | -                      | -            | 5,115             |
| Internal Service | 2,719             | -               | -                           | 130              | -                      | -            | 2,849             |
| Fiduciary        | -                 | -               | -                           | -                | -                      | 26           | 26                |
| Other            | 14,467            | -               | -                           | -                | -                      | -            | 14,467            |
| Total            | <u>\$ 603,847</u> | <u>\$ 2,386</u> | <u>\$ 8,017</u>             | <u>\$ 809</u>    | <u>\$ 4,641</u>        | <u>\$ 77</u> | <u>\$ 619,777</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, 2004.

The \$581 million balance due from the Alaska Permanent Fund to the General Fund is for payment of 2004 Permanent Fund Dividends and administrative and associated costs of the 2004 Permanent Dividend Program. The majority of the other Due from Other Funds and Due to Other Funds balances are attributable to FY 2004 activity during the reappropriation period in July and August 2004 that caused the movement of cash balances between funds after June 30, 2004.

**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.

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.

The estimated amount of unused accumulated sick leave as of June 30, 2004, is \$39.2 million. This amount was calculated using the base pay on file for each employee as of June 30, 2004. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

**B. SCHOOL DEBT**

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

Although the statute provides that the state may reimburse school districts 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the state to make these payments. The amount for FY 04 expended for school debt was \$60.6 million, which was 100 percent of the entitlement. The total debt requirement assuming the state makes full payment of its share of school debt service would be approximately \$976.9 million. The state has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

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

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

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

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

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

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

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

In FY 04, the state completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property and marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$50 million per occurrence for marine, \$100 million for property, and \$500 million for aviation.

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

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2003 and June 30, 2004. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3 percent discount interest rate for FY 03 and a 3 percent discount interest rate for FY 04.

| Fiscal Year | Beginning<br>Balance | Current Year<br>Claims and<br>Changes in<br>Estimates | Claim<br>Payments | Ending<br>Balance |
|-------------|----------------------|---|-------------------|-------------------|
| 2003        | \$ 78,603,678        | \$ 32,297,924   | \$ (32,277,129)   | \$ 78,624,473     |
| 2004        | \$ 78,624,473        | \$ 12,708,189   | \$ (22,155,176)   | \$ 69,177,486     |

**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 \$4.4 million, with an additional possible liability of \$70.3 million. The probable loss amount has been reported as long-term debt obligations.

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

**E. FEDERAL GRANTS**

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

**F. DISASTER RELIEF FUND**

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

**G. FUTURE LOAN COMMITMENTS**

As of June 30, 2004, the Alaska Clean Water Fund and the Alaska Drinking Water Fund committed to disbursing future loans for a net total of \$42,156,800 and \$18,576,753 respectively. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn; accordingly, they are not included in the financial statements for these funds.

At June 30, 2004, AIDEA had extended commitments for loans of \$48,242,000 and loan guarantees of \$2,091,000.

**NOTE 12 – SUBSEQUENT EVENTS**

**A. ALASKA MUNICIPAL BOND BANK AUTHORITY**

The Alaska Municipal Bond Bank Authority issued four bond series subsequent to June 30, 2004.

1. Revenue Bonds, 2004 Series A in the face amount of \$28,845,000 with interest rates ranging from 3.25% to 5.375% over maturities of January 1, 2007 through January 1, 2035.
2. Revenue Bonds, 2004 Series B in the face amount of \$5,365,000 with interest rates ranging from 4.00% to 5.125% over maturities of August 1, 2005 through August 1, 2034.
3. General Obligation Bonds, 2004 Series C in the face amount of \$14,575,000 with interest rates ranging from 4.00% to 5.00% over maturities of July 1, 2005 through July 1, 2024.
4. General Obligation Bonds, 2004 Series D will not close until December 2004. Resolutions 2004-08 and 2004-09 authorize a loan from the Bond Bank in the amount of \$905,000, which the City of Adak will pay back upon issuance of bonds in December 2004, not to exceed \$2,500,000. Maturities will range from November 1, 2005 through November 1, 2024.

**B. ALASKA STUDENT LOAN CORPORATION**

On May 19, 2004, the Alaska Student Loan Corporation issued \$115,115,000 in education loan revenue bonds, in part for refunding at par \$13,055,000 of the outstanding Series 1994 A bonds and \$26,400,000 of the Series 2002 A bonds. The Series 1994 A refunding will occur on July 1, 2004 and the Series 2002 A refunding will occur on August 16, 2004.

**C. ALASKA CLEAN WATER FUND**

Plans are in place to issue Series A Revenue Bond Anticipation Notes for fiscal year 2005. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

**D. ALASKA DRINKING WATER FUND**

Plans are in place to issue Series B Revenue Bond Anticipation Notes for fiscal year 2005. 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.

**NOTE 13 – SPECIAL ITEMS**

The Alaska Science and Technology Foundation (ASTF) was established in statute as a public corporation within the Department of Community and Economic Development. The International Trade and Business Endowment (ITBE) was established to support the ASTF and its programs. During the 23<sup>rd</sup> Alaska Legislative Session, the balance as of June 30, 2003 of the ITBE was appropriated to the Alaska Debt Retirement Fund effective July 1, 2003 (Chapter 83, SLA 2003). The financial impact of this legislative action for the ITBE liquidation is reflected in the financial statements as a special item.

During fiscal year 2004, the Alaska Housing Finance Corporation called the following bonds resulting in early bond redemption costs reflected in the financial statements as a special item:

- A. June 1, 2004 -- \$6,110,000 of Collateralized Bonds, 1993 First Series, at a premium of \$56,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of \$259,000 and \$316,000, respectively, totals \$631,000.
- B. June 1, 2004 -- \$138,435,000 of Government Housing Purpose Bonds, 1994 Series A, at a premium of \$1,748,000 on the early optional redemptions. The call premium, write-off of the cost of issuance and unamortized discount on bonds of \$932,000 and \$1,597,000, respectively, totals \$4,277,000.
- C. March 5, 2004 and April 1, 2004 -- \$40,495,000 of Housing Development Bonds at a premium of \$1,620,000 on the early optional redemptions. The call premium and write-off of the cost of issuance of \$923,000 totals \$2,543,000.



# Required Supplementary Information

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**STATE OF ALASKA**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

**STATEMENT 2.01**

|   | Original<br>Budget    | Final<br>Budget       | Actual              | Variance with<br>Final Budget |
|---|-----------------------|-----------------------|---------------------|-------------------------------|
| <b>REVENUES</b>   |                       |                       |                     |                               |
| Unrestricted:   |                       |                       |                     |                               |
| Taxes   | \$ 989,508            | \$ 989,787            | \$ 1,231,420        | \$ (241,633)                  |
| Licenses and Permits  | 88,046                | 89,803                | 90,591              | (788)                         |
| Charges for Services  | 529,435               | 534,364               | 517,088             | 17,276                        |
| Fines and Forfeitures   | 15,112                | 15,115                | 17,537              | (2,422)                       |
| Rents and Royalties   | 734,072               | 734,568               | 1,040,507           | (305,939)                     |
| Premiums and Contributions  |                       |                       | 10,093              | (10,093)                      |
| Interest and Investment Income  | 93,666                | 93,714                | 84,521              | 9,193                         |
| Payments In from Component Units  | 10,846                | 10,846                | 10,846              | 0                             |
| Other Revenues  | 32,643                | 32,802                | 28,524              | 4,278                         |
| Restricted:   |                       |                       |                     |                               |
| Federal Grants in Aid   | 4,565,081             | 4,836,794             | 1,865,055           | 2,971,739                     |
| Interagency   | 483,904               | 736,887               | 448,298             | 288,589                       |
| Payments In from Component Units  | 136,369               | 137,894               | 47,999              | 89,895                        |
| Other Revenues  |                       | 200                   | 1,472               | (1,272)                       |
| <b>Total Revenues</b>   | <u>7,678,682</u>      | <u>8,212,774</u>      | <u>5,393,951</u>    | <u>2,818,823</u>              |
| <b>EXPENDITURES</b>   |                       |                       |                     |                               |
| Current:  |                       |                       |                     |                               |
| General Government  | 660,387               | 683,998               | 624,217             | 59,781                        |
| Alaska Permanent Fund Dividend  | 660,071               | 664,256               | 660,488             | 3,768                         |
| Education   | 1,041,258             | 1,047,328             | 1,052,122           | (4,794)                       |
| University  | 235,333               | 236,030               | 231,640             | 4,390                         |
| Health and Human Services   | 2,102,124             | 2,235,525             | 1,962,018           | 273,507                       |
| Law and Justice   | 151,455               | 163,738               | 149,908             | 13,830                        |
| Public Protection   | 641,625               | 670,954               | 529,404             | 141,550                       |
| Natural Resources   | 400,725               | 442,006               | 299,524             | 142,482                       |
| Development   | 278,051               | 309,909               | 220,335             | 89,574                        |
| Transportation  | 3,209,670             | 3,454,831             | 1,216,488           | 2,238,343                     |
| Intergovernmental Revenue Sharing   | 40,397                | 55,601                | 54,415              | 1,186                         |
| Debt Service:   |                       |                       |                     |                               |
| Principal   | 9,170                 | 9,970                 | 9,083               | 887                           |
| Interest and Other Charges  | 3,019                 | 3,019                 | 3,019               | 0                             |
| <b>Total Expenditures</b>   | <u>9,433,285</u>      | <u>9,977,165</u>      | <u>7,012,661</u>    | <u>2,964,504</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures  | <u>(1,754,603)</u>    | <u>(1,764,391)</u>    | <u>(1,618,710)</u>  | <u>(145,681)</u>              |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                       |                       |                     |                               |
| Bonds Issued  | 14,145                | 14,145                | 14,145              | 0                             |
| Transfers In from Other Funds   | 712,831               | 712,831               | 708,104             | 4,727                         |
| Transfers (Out to) Other Funds  | (102,731)             | (125,185)             | (125,185)           | 0                             |
| <b>Total Other Financing Sources<br/>and Uses</b>   | <u>624,245</u>        | <u>601,791</u>        | <u>597,064</u>      | <u>4,727</u>                  |
| <b>SPECIAL ITEMS</b>  |                       |                       |                     |                               |
| International Trade and Business Endowment<br>Liquidation   | 4,829                 | 4,829                 | 4,829               | 0                             |
| Excess (Deficiency) of Revenues,<br>Other Financing Sources,<br>Special Items, Over (Under)<br>Expenditures, Other Financing Uses<br>and Special Items, Budgetary Basis |                       |                       |                     |                               |
|   | <u>\$ (1,125,529)</u> | <u>\$ (1,157,771)</u> | <u>(1,016,817)</u>  | <u>\$ (140,954)</u>           |
| <b>Reconciliation of Budgetary/<br/>GAAP Reporting:</b>   |                       |                       |                     |                               |
| Adjust Expenditures for Encumbrances  |                       |                       | 904,177             |                               |
| Basis Difference  |                       |                       | 34,874              |                               |
| Perspective Difference  |                       |                       | (36,013)            |                               |
| Excess (Deficiency) of Revenues,<br>Other Financing Sources,<br>Special Items, Over (Under)<br>Expenditures, Other Financing Uses<br>GAAP Basis                         |                       |                       |                     |                               |
|   |                       |                       | (113,779)           |                               |
| Fund Balances - Beginning of Year   |                       |                       | 3,550,077           |                               |
| Prior Period Adjustment   |                       |                       | 3,565               |                               |
| Fund Balances - End of Year   |                       |                       | <u>\$ 3,439,863</u> |                               |

**Note to Required Supplementary Information – Budgetary Reporting  
For the Fiscal Year Ended June 30, 2004**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis.

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

For the year ended June 30, 2004, expenditures exceeded appropriations in the education function due to errors in recording expenditures and revenues to the incorrect fiscal year. The department will request the budget and audit committee to approve a revised program for additional budget authority to address this overexpenditure.

The types of differences are as follows:

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

|   |    |         |
|---|----|---------|
| Petroleum Severance Taxes and Royalties | \$ | 35,476  |
| Medical Assistance Program              |    | (1,110) |
| Working Reserve                         |    | (4,587) |
| Tobacco Tax                             |    | 70      |
| Alcohol Tax                             |    | 2,980   |
| Tire Tax                                |    | 298     |
| Vehicle Rental Tax                      |    | 1,747   |
| Total General Fund Basis Difference     |    | 34,874  |

- Perspective differences result from the structure of financial information for budgetary purposes. The Group Health and Life Benefits Fund (Group Health and Life, and Retiree Health) and the Alaska Public Building Fund are established by statute as accounts within the general fund, but must be reported as internal service funds to conform to GAAP. The federal receipts/disbursements for PL 103-382, Title VIII (previously PL 81-874) are budgeted in the general fund but are accounted for as an agency fund.

|  |    |          |
|--|----|----------|
| Group Health and Life                        | \$ | (35,543) |
| Alaska Public Building Fund                  |    | 1,459    |
| Federal Receipts for PL 103-382 (Impact Aid) |    | (1,929)  |
| Total General Fund Perspective Difference    |    | (36,013) |



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# Combining Fund Statements

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STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004  
(Stated in Thousands)

STATEMENT 3.01

|  | Permanent Fund<br>Public<br>School Trust<br>Fund | Special<br>Revenue<br>Funds |
|--|--|-----------------------------|
| <b>ASSETS</b>                              |  |                             |
| Cash and Investments                       | \$ 297,940                                       | \$ 89,809                   |
| Accounts Receivable - Net                  | 697  | 6,919                       |
| Interest and Dividends Receivable          | 535  |                             |
| Due from Other Funds                       | 421  | 320                         |
| Due from Component Units                   |  |                             |
| Loans, Notes, and Bonds Receivable         | 61   |                             |
| Other Assets                               |  | 41                          |
| <b>Total Assets</b>                        | <b>\$ 299,654</b>                                | <b>\$ 97,089</b>            |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |                             |
| Liabilities:                               |  |                             |
| Accounts Payable and Accrued Liabilities   | \$ 17  | \$ 10,464                   |
| Due to Other Funds                         |  | 1,121                       |
| Due to Component Units                     |  | 13                          |
| Unearned and Deferred Revenue              | 484  | 13                          |
| Other Liabilities                          | 1  | 314                         |
| <b>Total Liabilities</b>                   | <b>502</b>                                       | <b>11,925</b>               |
| Fund Balances:                             |  |                             |
| Reserved:                                  |  |                             |
| Encumbrances                               | 43   | 37,323                      |
| Debt Service                               |  |                             |
| Other Purposes                             | 287,938  |                             |
| Unreserved:                                |  |                             |
| Designated for Continuing Appropriations   | 540  | 13,030                      |
| Designated for Other                       |  | 292                         |
| Undesignated                               | 10,631   | 34,519                      |
| <b>Total Fund Balances</b>                 | <b>299,152</b>                                   | <b>85,164</b>               |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 299,654</b>                                | <b>\$ 97,089</b>            |

STATEMENT 3.01

| Debt Service<br>Funds | Capital Projects<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|-----------------------|---------------------------|---|
| \$ 52,106             | \$ 386,669                | \$ 826,524                              |
| 62                    | 378                       | 7,616                                   |
|                       |                           | 975                                     |
|                       |                           | 741                                     |
|                       | 2,819                     | 2,819                                   |
|                       |                           | 61                                      |
|                       |                           | 41                                      |
| <u>\$ 52,168</u>      | <u>\$ 389,866</u>         | <u>\$ 838,777</u>                       |
|                       |                           |   |
| \$ 0                  | \$ 9,896                  | \$ 20,377                               |
|                       | 2,625                     | 3,746                                   |
|                       |                           | 13                                      |
|                       |                           | 497                                     |
|                       |                           | 315                                     |
| <u>0</u>              | <u>12,521</u>             | <u>24,948</u>                           |
|                       |                           |   |
| 52,168                | 149,363                   | 186,729                                 |
|                       |                           | 52,168                                  |
|                       |                           | 287,938                                 |
|                       | 223,087                   | 236,657                                 |
|                       |                           | 292                                     |
|                       | 4,895                     | 50,045                                  |
| <u>52,168</u>         | <u>377,345</u>            | <u>813,829</u>                          |
| <u>\$ 52,168</u>      | <u>\$ 389,866</u>         | <u>\$ 838,777</u>                       |

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

**STATEMENT 3.02**

|  | Permanent Fund           | Special Revenue Funds |
|--|--------------------------|-----------------------|
|  | Public School Trust Fund |                       |
| <b>REVENUES</b>  |                          |                       |
| Taxes  | \$                       | \$ 32,871             |
| Licenses and Permits                                     |                          | 25,574                |
| Charges for Services                                     |                          | 269                   |
| Fines and Forfeitures                                    | 2                        | 59                    |
| Rents and Royalties                                      | 7,136                    | 2,530                 |
| Premiums and Contributions                               |                          | 7,891                 |
| Interest and Investment Income                           | 10,275                   | 306                   |
| Net Increase (Decrease) in the Fair Value of Investments | 13,857                   |                       |
| Federal Grants in Aid                                    |                          | 22,421                |
| Nonfederal Grants and Contracts                          |                          | 43                    |
| Other Revenues   |                          | 30                    |
| Total Revenues   | 31,270                   | 91,994                |
| <b>EXPENDITURES</b>                                      |                          |                       |
| Current:   |                          |                       |
| General Government                                       | 72                       | 1,527                 |
| Education  | 12,582                   | 30,572                |
| University   |                          |                       |
| Health and Human Services                                |                          | 8,080                 |
| Law and Justice  |                          | 266                   |
| Public Protection  |                          | 1,020                 |
| Natural Resources  | 17                       | 51,887                |
| Development  |                          | 10,885                |
| Transportation   |                          | 1,400                 |
| Debt Service:  |                          |                       |
| Principal  |                          |                       |
| Interest and Other Charges                               |                          |                       |
| Total Expenditures                                       | 12,671                   | 105,637               |
| Excess (Deficiency) of Revenues Over Expenditures        | 18,599                   | (13,643)              |
| <b>OTHER FINANCING SOURCES (USES)</b>                    |                          |                       |
| Transfers In from Other Funds                            | 48                       | 3,775                 |
| Transfers (Out to) Other Funds                           |                          | (2,434)               |
| Total Other Financing Sources and Uses                   | 48                       | 1,341                 |
| Net Change in Fund Balances                              | 18,647                   | (12,302)              |
| Fund Balances - Beginning of Year                        | 280,505                  | 97,466                |
| Prior Period Adjustment                                  |                          |                       |
| Fund Balances - End of Year                              | \$ 299,152               | \$ 85,164             |



STATEMENT 3.02

| Debt Service<br>Funds | Capital Projects<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|-----------------------|---------------------------|---|
| \$                    | \$                        | \$                                      |
|                       |                           | 32,871                                  |
|                       |                           | 25,574                                  |
|                       |                           | 269                                     |
|                       |                           | 61                                      |
|                       |                           | 9,666                                   |
|                       |                           | 7,891                                   |
| 1,618                 | 5,021                     | 17,220                                  |
| (38)                  |                           | 13,819                                  |
|                       |                           | 22,421                                  |
|                       |                           | 43                                      |
| 17,151                |                           | 17,181                                  |
| <u>18,731</u>         | <u>5,021</u>              | <u>147,016</u>                          |
|                       |                           |   |
|                       |                           | 1,599                                   |
|                       | 46,699                    | 89,853                                  |
|                       | 14,528                    | 14,528                                  |
|                       |                           | 8,080                                   |
|                       |                           | 266                                     |
|                       |                           | 1,020                                   |
|                       |                           | 51,904                                  |
|                       |                           | 10,885                                  |
|                       | 22,974                    | 24,374                                  |
| 6,485                 |                           | 6,485                                   |
| 31,350                |                           | 31,350                                  |
| <u>37,835</u>         | <u>84,201</u>             | <u>240,344</u>                          |
| (19,104)              | (79,180)                  | (93,328)                                |
|                       |                           |   |
| 4,194                 |                           | 8,017                                   |
|                       | (300)                     | (2,734)                                 |
| 4,194                 | (300)                     | 5,283                                   |
| (14,910)              | (79,480)                  | (88,045)                                |
| 67,078                | 456,821                   | 901,870                                 |
|                       | 4                         | 4                                       |
| <u>\$ 52,168</u>      | <u>\$ 377,345</u>         | <u>\$ 813,829</u>                       |



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# General Fund

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

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

- Adak Airport Operations Fund (Fund 11181) – PL 101-510 – The Alaska Department of Transportation and Public Facilities and the U.S. Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Navel Air Facility known as the Adak Airport. In accordance with the agreement, the Navy paid the State \$10,000,000 to operate and maintain the airport.
- Alaska Children's Trust Fund (Fund 34050) – AS 37.14.200 – Administered by the Department of Health and Social Services, and the Alaska Children's Trust Board established in the Office of the Governor. The income from this endowment is used to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.
- Alaska Debt Retirement Fund (Fund 11138) – AS 37.15.011 – The fund consists of all money appropriated to it. The fund was established to help meet the general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- Alaska Historical Commission Receipts Account (Fund 11111) – AS 41.35.380 – Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- Alaska Marine Highway System Fund (Fund 12135) – AS 19.65.060 – Administered by the Department of Transportation and Public Facilities, Alaska Marine Highway System. Gross revenues of the Alaska Marine Highway System are deposited into the fund. The fund also consists of legislative appropriations of amounts necessary to provide stable services to the public, after consideration of gross revenue.
- Alaska Marine Highway System Vessel Replacement Fund (Fund 11137) – AS 37.05.550 – Managed by the Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.
- Alaska Technical and Vocational Education Program Fund (Fund 11166) – AS 23.15.830 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the account to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the account to the unemployment compensation fund established in AS 23.20.130.
- Alaska Transportation Infrastructure Bank (Fund 21653) – Section 350 of the National Highway System Designation Act of 1995 Federal Law – Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.
- Alaska Veterans' Memorial Endowment (Fund 36010) – AS 37.14.700(a) – Administered by the Department of Military and Veterans' Affairs to maintain and develop veteran memorials or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 11178) – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- Art in Public Places Fund (Fund 11124) – AS 44.27.060 – Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.

- Assistive Technology Loan Guarantee Fund (Fund 11154) – AS 23.15.125 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- Budget Reserve Fund (Fund 11115) – AS 37.05.540 – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit, may be appropriated to the budget reserve fund.
- Building Safety Account (Fund 11177) – AS 44.31.025 – Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 - 18.60.395, 18.60.800 - 18.60.620, and AS 18.62 relating to building safety and certificates of fitness.
- Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174) – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department’s operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department’s operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.
- Constitutional Budget Reserve Fund (Fund 33041) – Alaska Constitution, article IX, section 17; AS 37.13 – Administered by the Department of Revenue. All money received by the state as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- Disaster Relief Fund (Fund 12125) – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the state.
- Donated Commodity Fee Fund (Fund 11120) – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- Educational Facilities Maintenance and Construction Fund (Fund 11142) – AS 37.05.560 – Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.
- Election Fund (Fund 11179) – Federal H.R. 3295, “The Help America Vote Act”. Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- Employment Assistance and Training Program Account (Fund 11134) – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the unemployment compensation fund established in AS 23.20.130.
- Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund (Fund 11161) – AS 44.33.115 – Administered by the Department of 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. \$35,000,000.00 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities, which have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; 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 Community and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- Oil and Hazardous Substance Release Prevention and Response (Fund 11128) – AS 46.08.010 – Administered by the Department of Environmental Conservation. This fund is composed of two accounts: (1) the prevention account and (2) the response account. The fund consists of appropriations by the legislature of money from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under chapter 46. This money is for the containment and cleanup of oil or a hazardous substance; monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance; and recovery of the cost to the state of the containment and cleanup of oil or a hazardous substance.
- Oil and Hazardous Substance Release Prevention Mitigation Account (Fund 11139) – AS 46.08.020(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance; and fines, penalties, or damages recovered under AS 46.08.005–46.08.080. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the prevention account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- Oil and Hazardous Substance Release Response Mitigation Account (Fund 11153) – AS 46.08.025(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site for which the state expended money from the former oil and hazardous substance release response fund before October 2, 1994, or for which the state expended money from the response account. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the response account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- Permanent Fund Dividend Fund (Fund 33020) – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- 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 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; participation in programs of manpower training; and 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 Community and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 11116) – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- Workers' Safety and Compensation Administration Account (Fund 11173) – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the state for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.



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STATE OF ALASKA  
Combining Balance Sheet  
General Fund  
June 30, 2004  
(Stated in Thousands)

STATEMENT 3.11

|  | Constitutional<br>Budget Reserve<br>Subfund | General Fund<br>Permanent<br>Fund Dividend<br>Subfund |
|--|---|---|
| <b>ASSETS</b>                              |   |   |
| Cash and Investments                       | \$ 2,063,937                                | \$ 10,714   |
| Accounts Receivable - Net                  |   | 40  |
| Interest and Dividends Receivable          | 269   | 12  |
| Due from Other Funds                       | 5,219,655                                   | 582,253   |
| Due from Component Units                   |   | 19  |
| Due from Other Governments                 |   | 470   |
| Loans, Notes, and Bonds Receivable         |   |   |
| Inventories                                |   |   |
| Other Assets                               |   | 3   |
| <b>Total Assets</b>                        | <b>\$ 7,283,861</b>                         | <b>\$ 593,511</b>                                     |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |   |
| Liabilities:                               |   |   |
| Accounts Payable and Accrued Liabilities   | \$ 38                                       | \$ 6,924  |
| Due to Other Funds                         | 10,785                                      | 148   |
| Due to Component Units                     |   |   |
| Due to Other Governments                   |   |   |
| Unearned and Deferred Revenue              |   | 16  |
| Other Liabilities                          |   | 5   |
| <b>Total Liabilities</b>                   | <b>10,823</b>                               | <b>7,093</b>  |
| Fund Balances:                             |   |   |
| Reserved:                                  |   |   |
| Encumbrances                               |   | 515   |
| Nonliquid Assets                           | 5,117,960                                   |   |
| Other Purposes                             |   |   |
| Unreserved:                                |   |   |
| Designated for Continuing Appropriations   |   | 140   |
| Designated for Other                       |   | 585,763   |
| Undesignated                               | 2,155,078                                   |   |
| <b>Total Fund Balances</b>                 | <b>7,273,038</b>                            | <b>586,418</b>  |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 7,283,861</b>                         | <b>\$ 593,511</b>                                     |



STATEMENT 3.11

| General and all Other Subfunds | Eliminations of Internal Balances | Total General Fund  |
|--------------------------------|-----------------------------------|---------------------|
| \$ 761,029                     | \$                                | \$ 2,835,680        |
| 181,230                        |                                   | 181,270             |
| 1,607                          |                                   | 1,888               |
| 63,305                         | (5,231,638)                       | 633,575             |
| 6,971                          |                                   | 6,990               |
| 466,819                        |                                   | 467,289             |
| 15,922                         |                                   | 15,922              |
| 9,822                          |                                   | 9,822               |
| 17,484                         |                                   | 17,487              |
| <u>\$ 1,524,189</u>            | <u>\$ (5,231,638)</u>             | <u>\$ 4,169,923</u> |
| \$ 421,690                     | \$                                | \$ 428,652          |
| 5,231,971                      | (5,231,638)                       | 11,266              |
| 3,841                          |                                   | 3,841               |
| 325                            |                                   | 325                 |
| 285,425                        |                                   | 285,441             |
| 530                            |                                   | 535                 |
| <u>5,943,782</u>               | <u>(5,231,638)</u>                | <u>730,060</u>      |
| 186,802                        |                                   | 187,317             |
| 34,435                         |                                   | 5,152,395           |
| 29,808                         |                                   | 29,808              |
| 249,798                        |                                   | 249,938             |
| 289,482                        |                                   | 875,245             |
| (5,209,918)                    |                                   | (3,054,840)         |
| (4,419,593)                    | 0                                 | 3,439,863           |
| <u>\$ 1,524,189</u>            | <u>\$ (5,231,638)</u>             | <u>\$ 4,169,923</u> |

**STATE OF ALASKA**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

**STATEMENT 3.12**

|   | Constitutional<br>Budget Reserve<br>Subfund | General Fund<br>Permanent<br>Fund Dividend<br>Subfund |
|---|---|---|
| <b>REVENUES</b>   |   |   |
| Taxes   | \$ 3,943                                    | \$  |
| Licenses and Permits  |   |   |
| Charges for Services  |   | 252   |
| Fines and Forfeitures                                       | 63  | 20  |
| Rents and Royalties   |   |   |
| Premiums and Contributions                                  |   |   |
| Interest and Investment Income                              | 75,530                                      |   |
| Net Increase (Decrease) in the Fair<br>Value of Investments | (17,909)                                    |   |
| Federal Grants in Aid                                       |   | 4,832   |
| Payments In from Component Units                            |   |   |
| Other Revenues  |   | 55  |
| Total Revenues  | <u>61,627</u>                               | <u>5,159</u>  |
| <b>EXPENDITURES</b>   |   |   |
| Current:  |   |   |
| General Government  | 109   | 5,556   |
| Alaska Permanent Fund Dividend                              |   | 660,471   |
| Education   |   |   |
| University  |   |   |
| Health and Human Services                                   |   | 15,401  |
| Law and Justice   |   | 1,539   |
| Public Protection   |   | 15,675  |
| Natural Resources   |   |   |
| Development   |   |   |
| Transportation  |   |   |
| Intergovernmental Revenue Sharing                           |   |   |
| Debt Service:   |   |   |
| Principal   |   |   |
| Interest and Other Charges                                  |   |   |
| Total Expenditures  | <u>109</u>                                  | <u>698,642</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures        | <u>61,518</u>                               | <u>(693,483)</u>                                      |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |   |   |
| Bonds Issued  |   |   |
| Capital Leases  |   |   |
| Transfers In from Other Funds                               | 5,027                                       | 581,246   |
| Transfers (Out to) Other Funds                              |   |   |
| Total Other Financing Sources<br>and Uses                   | <u>5,027</u>                                | <u>581,246</u>  |
| <b>SPECIAL ITEMS</b>  |   |   |
| International Trade and Business Endowment Liquidation      |   |   |
| Net Change in Fund Balances                                 | 66,545                                      | (112,237)   |
| Fund Balances - Beginning of Year                           | 7,206,493                                   | 698,655   |
| Prior Period Adjustment                                     |   |   |
| Fund Balances - End of Year                                 | <u>\$ 7,273,038</u>                         | <u>\$ 586,418</u>                                     |

STATEMENT 3.12

| General<br>and all Other<br>Subfunds | Eliminations<br>of Internal<br>Balances | Total<br>General<br>Fund |
|--------------------------------------|---|--------------------------|
| \$ 1,238,599                         | \$                                      | \$ 1,242,542             |
| 90,590                               |   | 90,590                   |
| 183,657                              |   | 183,909                  |
| 17,454                               |   | 17,537                   |
| 1,068,587                            |   | 1,068,587                |
| 10,093                               |   | 10,093                   |
| 32,091                               |   | 107,621                  |
| (15,975)                             |   | (33,884)                 |
| 1,913,784                            |   | 1,918,616                |
| 58,846                               |   | 58,846                   |
| 15,127                               |   | 15,182                   |
| <u>4,612,853</u>                     | <u>0</u>                                | <u>4,679,639</u>         |
| 207,475                              |   | 213,140                  |
|                                      |   | 660,471                  |
| 952,849                              |   | 952,849                  |
| 231,640                              |   | 231,640                  |
| 1,684,515                            |   | 1,699,916                |
| 131,744                              |   | 133,283                  |
| 414,566                              |   | 430,241                  |
| 172,412                              |   | 172,412                  |
| 120,572                              |   | 120,572                  |
| 739,629                              |   | 739,629                  |
| 52,259                               |   | 52,259                   |
| 9,083                                |   | 9,083                    |
| 3,019                                |   | 3,019                    |
| <u>4,719,763</u>                     | <u>0</u>                                | <u>5,418,514</u>         |
| (106,910)                            | 0                                       | (738,875)                |
| 14,145                               |   | 14,145                   |
| 15,615                               |   | 15,615                   |
| 22,601                               | (5,027)                                 | 603,847                  |
| (18,367)                             | 5,027                                   | (13,340)                 |
| <u>33,994</u>                        | <u>0</u>                                | <u>620,267</u>           |
| 4,829                                |   | 4,829                    |
| (68,087)                             | 0                                       | (113,779)                |
| (4,355,071)                          |   | 3,550,077                |
| 3,565                                |   | 3,565                    |
| <u>\$ (4,419,593)</u>                | <u>\$ 0</u>                             | <u>\$ 3,439,863</u>      |



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# Permanent Funds

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



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

## Permanent Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|  | Public School Trust |                   |                      |
|--|---------------------|-------------------|----------------------|
|  | Budget              | Actual            | Variance with Budget |
| <b>REVENUES</b>  |                     |                   |                      |
| Unrestricted:  |                     |                   |                      |
| Fines and Forfeitures  | \$ 2                | \$ 2              | \$ 0                 |
| Rents and Royalties  | 7,136               | 7,136             | 0                    |
| Interest and Investment Income   | 10,275              | 10,275            | 0                    |
| Net Increase (Decrease) in the Fair Value of Investments   | 13,857              | 13,857            | 0                    |
| Total Revenues   | <u>31,270</u>       | <u>31,270</u>     | <u>0</u>             |
| <b>EXPENDITURES</b>  |                     |                   |                      |
| Current:   |                     |                   |                      |
| General Government   | 164                 | 72                | 92                   |
| Education  | 12,582              | 12,582            | 0                    |
| Law and Justice  |                     |                   | 0                    |
| Natural Resources Development  | 600                 | 60                | 540                  |
| Total Expenditures   | <u>13,346</u>       | <u>12,714</u>     | <u>632</u>           |
| Excess (Deficiency) of Revenue Over Expenditures   | <u>17,924</u>       | <u>18,556</u>     | <u>(632)</u>         |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                     |                   |                      |
| Transfers In from Other Funds  | 48                  | 48                | 0                    |
| Transfers (Out to) Other Funds   |                     |                   | 0                    |
| Total Other Financing Sources and Uses   | <u>48</u>           | <u>48</u>         | <u>0</u>             |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, Budgetary Basis | <u>\$ 17,972</u>    | 18,604            | <u>\$ (632)</u>      |
| <b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>   |                     |                   |                      |
| Adjust Expenditures for Encumbrances   |                     | <u>43</u>         |                      |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, GAAP Basis      |                     | 18,647            |                      |
| Fund Balances - Beginning of Year  |                     | <u>280,505</u>    |                      |
| Fund Balances - End of Year  |                     | <u>\$ 299,152</u> |                      |

STATEMENT 3.23

| Alaska Permanent    |                      |                      | Total Permanent Funds |                      |                      |
|---------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| Budget              | Actual               | Variance with Budget | Budget                | Actual               | Variance with Budget |
| \$ 350,686          | \$ 350,686           | \$ 0                 | \$ 2                  | \$ 2                 | \$ 0                 |
| 813,093             | 813,093              | 0                    | 823,368               | 823,368              | 0                    |
| <u>2,668,343</u>    | <u>2,668,343</u>     | <u>0</u>             | <u>2,682,200</u>      | <u>2,682,200</u>     | <u>0</u>             |
| <u>3,832,122</u>    | <u>3,832,122</u>     | <u>0</u>             | <u>3,863,392</u>      | <u>3,863,392</u>     | <u>0</u>             |
| 50,447              | 42,468               | 7,979                | 50,611                | 42,540               | 8,071                |
|                     |                      | 0                    | 12,582                | 12,582               | 0                    |
| 1,477               | 1,477                | 0                    | 1,477                 | 1,477                | 0                    |
| 2,816               | 2,816                | 0                    | 3,416                 | 2,876                | 540                  |
| 995                 | 995                  | 0                    | 995                   | 995                  | 0                    |
| <u>55,735</u>       | <u>47,756</u>        | <u>7,979</u>         | <u>69,081</u>         | <u>60,470</u>        | <u>8,611</u>         |
| <u>3,776,387</u>    | <u>3,784,366</u>     | <u>(7,979)</u>       | <u>3,794,311</u>      | <u>3,802,922</u>     | <u>(8,611)</u>       |
| 2,386               | 2,386                | 0                    | 2,434                 | 2,434                | 0                    |
| (581,246)           | (581,246)            | 0                    | (581,246)             | (581,246)            | 0                    |
| <u>(578,860)</u>    | <u>(578,860)</u>     | <u>0</u>             | <u>(578,812)</u>      | <u>(578,812)</u>     | <u>0</u>             |
| <u>\$ 3,197,527</u> | <u>3,205,506</u>     | <u>\$ (7,979)</u>    | <u>\$ 3,215,499</u>   | <u>3,224,110</u>     | <u>\$ (8,611)</u>    |
|                     |                      |                      |                       | 43                   |                      |
|                     | 3,205,506            |                      |                       | 3,224,153            |                      |
|                     | <u>24,194,334</u>    |                      |                       | <u>24,474,839</u>    |                      |
|                     | <u>\$ 27,399,840</u> |                      |                       | <u>\$ 27,698,992</u> |                      |



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# Nonmajor Special Revenue Funds

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

- Alyeska Settlement Trust Fund (Fund 12138) – Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company – Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.
- Clean Air Protection Fund (Fund 12133) – AS 46.14.260 and Federal Clean Air Act – Administered by Department of Environmental Conservation. The fund is established to collect and account for permit fees under the federal clean air act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- Exxon Valdez Oil Spill Restoration Fund (Fund 12136) – U.S. District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in \$50 million restitution being received by the state to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.
- Exxon Valdez Settlement Trust Fund (Fund 33070) – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish & 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 commercial fishermen.
- National Petroleum Reserve Fund (Fund 12131) – AS 37.05.530 – Administered by Department of Community and Economic Development. This fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 since December 12, 1980, less the amount deposited in the general fund and expended by the State by general fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 21664) – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is to purchase Tobacco Settlement

Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

- Reclamation Bonding Pool Fund (Fund 12132) – AS 27.19.040 – Administered by Department of Natural Resources. A miner is required to have an approved reclamation plan and to file a performance bond before mining operations may commence. This fund is established as a statewide bonding pool as an alternative to individual performance bonds.
- 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 second injury fund consists of all amounts collected under AS 23.30.040(b) and (c), and as civil penalties 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, 2004  
 (Stated in Thousands)

STATEMENT 3.31

|  | Second<br>Injury | Fishermen's      | Fish and<br>Game | School          | National<br>Petroleum<br>Reserve |
|--|------------------|------------------|------------------|-----------------|----------------------------------|
| <b>ASSETS</b>                            |                  |                  |                  |                 |                                  |
| Cash and Investments                     | \$ 3,814         | \$ 11,656        | \$ 9,744         | \$ 7,154        | \$ 37,787                        |
| Accounts Receivable - Net                |                  |                  | 4,073            | 2,831           |                                  |
| Due from Other Funds                     |                  | 294              |                  |                 |                                  |
| Other Assets                             |                  |                  | 38               |                 |                                  |
| Total Assets                             | <u>\$ 3,814</u>  | <u>\$ 11,950</u> | <u>\$ 13,855</u> | <u>\$ 9,985</u> | <u>\$ 37,787</u>                 |
| <b>LIABILITIES AND FUND BALANCES</b>     |                  |                  |                  |                 |                                  |
| Liabilities:                             |                  |                  |                  |                 |                                  |
| Accounts Payable and Accrued Liabilities | \$ 108           | \$ 37            | \$ 3,724         | \$ 3,417        | \$ 2,752                         |
| Due to Other Funds                       | 19               |                  | 729              | 155             |                                  |
| Due to Component Units                   |                  |                  |                  |                 |                                  |
| Unearned and Deferred Revenue            |                  |                  | 13               |                 |                                  |
| Other Liabilities                        |                  |                  |                  |                 |                                  |
| Total Liabilities                        | <u>127</u>       | <u>37</u>        | <u>4,466</u>     | <u>3,572</u>    | <u>2,752</u>                     |
| Fund Balances:                           |                  |                  |                  |                 |                                  |
| Reserved:                                |                  |                  |                  |                 |                                  |
| Encumbrances                             | 5                | 6                | 857              |                 | 32,505                           |
| Unreserved:                              |                  |                  |                  |                 |                                  |
| Designated for Continuing Appropriations |                  |                  | 1,854            |                 |                                  |
| Designated for Other                     |                  |                  |                  |                 |                                  |
| Undesignated                             | 3,682            | 11,907           | 6,678            | 6,413           | 2,530                            |
| Total Fund Balances                      | <u>3,687</u>     | <u>11,913</u>    | <u>9,389</u>     | <u>6,413</u>    | <u>35,035</u>                    |
| Total Liabilities and Fund Balances      | <u>\$ 3,814</u>  | <u>\$ 11,950</u> | <u>\$ 13,855</u> | <u>\$ 9,985</u> | <u>\$ 37,787</u>                 |

STATEMENT 3.31

| Reclamation Bonding Pool | Clean Air Protection | Exxon Valdez Oil Spill Restoration | Alyeska Settlement Trust | Exxon Valdez Settlement Trust | Northern Tobacco Securitization Corporation | Total Nonmajor Special Revenue Funds |
|--------------------------|----------------------|------------------------------------|--------------------------|-------------------------------|---|--------------------------------------|
| \$ 1,075                 | \$ 681               | \$ 3,731                           | \$ 6,647                 | \$ 7,215                      | \$ 305                                      | \$ 89,809                            |
|                          |                      | 26                                 |                          | 15                            |   | 6,919                                |
|                          | 3                    |                                    |                          |                               |   | 320                                  |
|                          |                      |                                    |                          |                               |   | 41                                   |
| <u>\$ 1,075</u>          | <u>\$ 684</u>        | <u>\$ 3,757</u>                    | <u>\$ 6,647</u>          | <u>\$ 7,230</u>               | <u>\$ 305</u>                               | <u>\$ 97,089</u>                     |
|                          |                      |                                    |                          |                               |   |                                      |
| \$                       | \$ 30                | \$ 91                              | \$                       | \$ 305                        | \$  | \$ 10,464                            |
|                          | 93                   |                                    |                          | 125                           |   | 1,121                                |
|                          |                      |                                    |                          |                               | 13  | 13                                   |
|                          |                      |                                    |                          |                               |   | 13                                   |
| 314                      |                      |                                    |                          |                               |   | 314                                  |
| <u>314</u>               | <u>123</u>           | <u>91</u>                          | <u>0</u>                 | <u>430</u>                    | <u>13</u>                                   | <u>11,925</u>                        |
|                          |                      |                                    |                          |                               |   |                                      |
|                          | 69                   | 607                                | 200                      | 3,074                         |   | 37,323                               |
|                          |                      | 2,732                              | 5,285                    | 3,159                         |   | 13,030                               |
|                          |                      |                                    |                          |                               | 292   | 292                                  |
| 761                      | 492                  | 327                                | 1,162                    | 567                           |   | 34,519                               |
| <u>761</u>               | <u>561</u>           | <u>3,666</u>                       | <u>6,647</u>             | <u>6,800</u>                  | <u>292</u>                                  | <u>85,164</u>                        |
| <u>\$ 1,075</u>          | <u>\$ 684</u>        | <u>\$ 3,757</u>                    | <u>\$ 6,647</u>          | <u>\$ 7,230</u>               | <u>\$ 305</u>                               | <u>\$ 97,089</u>                     |

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

## Nonmajor Special Revenue Funds

For the Year Ended June 30, 2004

(Stated in Thousands)

|  | Second<br>Injury | Fishermen's      | Fish and<br>Game | School          | National<br>Petroleum<br>Reserve |
|--|------------------|------------------|------------------|-----------------|----------------------------------|
| <b>REVENUES</b>                                      |                  |                  |                  |                 |                                  |
| Taxes  | \$               | \$               | \$               | \$ 32,871       | \$                               |
| Licenses and Permits                                 |                  | 1,024            | 21,492           |                 |                                  |
| Charges for Services                                 |                  |                  | 223              |                 |                                  |
| Fines and Forfeitures                                |                  |                  | 59               |                 |                                  |
| Rents and Royalties                                  |                  |                  |                  |                 | 2,530                            |
| Premiums and Contributions                           | 4,161            |                  | 1                |                 |                                  |
| Interest and Investment Income                       |                  |                  | 139              |                 |                                  |
| Federal Grants in Aid                                |                  |                  | 22,352           |                 |                                  |
| Nonfederal Grants and Contracts                      |                  |                  | 43               |                 |                                  |
| Other Revenues                                       | 9                | 2                | 9                |                 |                                  |
| Total Revenues                                       | <u>4,170</u>     | <u>1,026</u>     | <u>44,318</u>    | <u>32,871</u>   | <u>2,530</u>                     |
| <b>EXPENDITURES</b>                                  |                  |                  |                  |                 |                                  |
| Current:   |                  |                  |                  |                 |                                  |
| General Government                                   |                  |                  | 1,240            | 78              |                                  |
| Education  |                  |                  |                  | 30,572          |                                  |
| Health and Human Services                            | 3,162            | 923              |                  |                 | 3,452                            |
| Law and Justice                                      |                  |                  | 130              |                 |                                  |
| Public Protection                                    |                  |                  | 1,020            |                 |                                  |
| Natural Resources                                    |                  |                  | 46,109           |                 |                                  |
| Development  |                  |                  |                  |                 | 10,815                           |
| Transportation                                       |                  |                  |                  |                 |                                  |
| Total Expenditures                                   | <u>3,162</u>     | <u>923</u>       | <u>48,499</u>    | <u>30,650</u>   | <u>14,267</u>                    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>1,008</u>     | <u>103</u>       | <u>(4,181)</u>   | <u>2,221</u>    | <u>(11,737)</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                  |                  |                 |                                  |
| Transfers In from Other Funds                        |                  |                  | 3,775            |                 |                                  |
| Transfers (Out to) Other Funds                       |                  |                  |                  |                 | (2,434)                          |
| Total Other Financing Sources<br>and Uses            | <u>0</u>         | <u>0</u>         | <u>3,775</u>     | <u>0</u>        | <u>(2,434)</u>                   |
| Net Change in Fund Balances                          | 1,008            | 103              | (406)            | 2,221           | (14,171)                         |
| Fund Balances - Beginning of Year                    | 2,679            | 11,810           | 9,795            | 4,192           | 49,206                           |
| Fund Balances - End of Year                          | <u>\$ 3,687</u>  | <u>\$ 11,913</u> | <u>\$ 9,389</u>  | <u>\$ 6,413</u> | <u>\$ 35,035</u>                 |

STATEMENT 3.32

| Reclamation<br>Bonding Pool | Clean Air<br>Protection | Exxon Valdez<br>Oil Spill<br>Restoration | Alyeska<br>Settlement<br>Trust | Exxon Valdez<br>Settlement<br>Trust | Northern<br>Tobacco<br>Securitization<br>Corporation | Total Nonmajor<br>Special<br>Revenue<br>Funds |
|-----------------------------|-------------------------|--|--------------------------------|-------------------------------------|--|---|
| \$                          | \$                      | \$                                       | \$                             | \$                                  | \$   | \$  |
|                             | 3,058                   |  |                                |                                     |  | 32,871  |
| 46                          |                         |  |                                |                                     |  | 25,574  |
|                             |                         |  |                                |                                     |  | 269   |
|                             |                         |  |                                |                                     |  | 59  |
|                             |                         |  |                                |                                     |  | 2,530   |
|                             |                         |  |                                | 3,729                               |  | 7,891   |
|                             |                         | 36                                       | 65                             | 66                                  |  | 306   |
|                             |                         |  |                                | 69                                  |  | 22,421  |
|                             |                         |  |                                | 10                                  |  | 43  |
|                             |                         |  |                                |                                     |  | 30  |
| 46                          | 3,058                   | 36                                       | 65                             | 3,874                               | 0  | 91,994  |
|                             |                         |  |                                |                                     |  |   |
|                             | 100                     |  |                                |                                     | 109  | 1,527   |
|                             |                         |  |                                |                                     |  | 30,572  |
|                             |                         | 415                                      |                                | 128                                 |  | 8,080   |
|                             |                         | 18                                       |                                | 118                                 |  | 266   |
|                             |                         |  |                                |                                     |  | 1,020   |
|                             | 2,582                   | 135                                      |                                | 3,061                               |  | 51,887  |
|                             |                         | 70                                       |                                |                                     |  | 10,885  |
|                             |                         |  | 1,400                          |                                     |  | 1,400   |
| 0                           | 2,682                   | 638                                      | 1,400                          | 3,307                               | 109  | 105,637                                       |
| 46                          | 376                     | (602)                                    | (1,335)                        | 567                                 | (109)  | (13,643)                                      |
|                             |                         |  |                                |                                     |  |   |
|                             |                         |  |                                |                                     |  | 3,775   |
|                             |                         |  |                                |                                     |  | (2,434)                                       |
| 0                           | 0                       | 0  | 0                              | 0                                   | 0  | 1,341   |
| 46                          | 376                     | (602)                                    | (1,335)                        | 567                                 | (109)  | (12,302)                                      |
| 715                         | 185                     | 4,268                                    | 7,982                          | 6,233                               | 401  | 97,466  |
| \$ 761                      | \$ 561                  | \$ 3,666                                 | \$ 6,647                       | \$ 6,800                            | \$ 292   | \$ 85,164                                     |

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|  | Second Injury |          | Variance with<br>Budget |
|--|---------------|----------|-------------------------|
|  | Budget        | Actual   |                         |
| <b>REVENUES</b>  |               |          |                         |
| Unrestricted:  |               |          |                         |
| Taxes  | \$            | \$       | \$                      |
| Licenses and Permits   |               |          |                         |
| Charges for Services   |               |          |                         |
| Fines and Forfeitures  |               |          |                         |
| Rents and Royalties  |               |          |                         |
| Premiums and Contributions   | 4,161         | 4,161    | 0                       |
| Interest and Investment Income   |               |          |                         |
| Other Revenues   | 9             | 9        | 0                       |
| Restricted:  |               |          |                         |
| Federal Grants in Aid  |               |          |                         |
| Nonfederal Grants and Contracts  |               |          |                         |
| Interagency  |               |          |                         |
| Total Revenues   | 4,170         | 4,170    | 0                       |
| <b>EXPENDITURES</b>  |               |          |                         |
| Current:   |               |          |                         |
| General Government   |               |          |                         |
| Education  |               |          |                         |
| Health and Human Services  | 3,183         | 3,168    | 15                      |
| Law and Justice  |               |          |                         |
| Public Protection  |               |          |                         |
| Natural Resources  |               |          |                         |
| Development  |               |          |                         |
| Transportation   |               |          |                         |
| Total Expenditures   | 3,183         | 3,168    | 15                      |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | 987           | 1,002    | (15)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>  |               |          |                         |
| Transfers In from Other Funds  |               |          |                         |
| Transfers (Out to) Other Funds   |               |          |                         |
| Total Other Financing Sources<br>and Uses  | 0             | 0        | 0                       |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>Budgetary Basis | \$ 987        | 1,002    | \$ (15)                 |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |               |          |                         |
| Adjust Expenditures for Encumbrances<br>Funds Not Annually Budgeted  |               | 6        |                         |
| Basis Difference   |               |          |                         |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>GAAP Basis      |               | 1,008    |                         |
| Fund Balances - Beginning of Year  |               | 2,679    |                         |
| Prior Period Adjustment  |               |          |                         |
| Fund Balances - End of Year  |               | \$ 3,687 |                         |



STATEMENT 3.33

| Fishermen's      |              |                      | Fish and Game      |                |                      |
|------------------|--------------|----------------------|--------------------|----------------|----------------------|
| Budget           | Actual       | Variance with Budget | Budget             | Actual         | Variance with Budget |
| \$ 1,024         | \$ 1,024     | \$ 0                 | \$ 21,492          | \$ 21,492      | \$ 0                 |
|                  |              |                      | 223                | 223            | 0                    |
|                  |              |                      | 59                 | 59             | 0                    |
|                  |              |                      | 1                  | 1              | 0                    |
|                  |              |                      | 139                | 139            | 0                    |
| 2                | 2            | 0                    | 9                  | 9              | 0                    |
|                  |              |                      | 25,457             | 22,352         | 3,105                |
|                  |              |                      | 42                 | 43             | (1)                  |
|                  |              |                      | 848                | 652            | 196                  |
| <u>1,026</u>     | <u>1,026</u> | <u>0</u>             | <u>48,270</u>      | <u>44,970</u>  | <u>3,300</u>         |
|                  |              |                      | 1,240              | 1,240          | 0                    |
| 1,382            | 930          | 452                  | 130                | 130            | 0                    |
|                  |              |                      | 1,020              | 1,020          | 0                    |
|                  |              |                      | 59,182             | 49,163         | 10,019               |
| <u>1,382</u>     | <u>930</u>   | <u>452</u>           | <u>61,572</u>      | <u>51,553</u>  | <u>10,019</u>        |
| <u>(356)</u>     | <u>96</u>    | <u>(452)</u>         | <u>(13,302)</u>    | <u>(6,583)</u> | <u>(6,719)</u>       |
|                  |              |                      | 2,522              | 3,775          | (1,253)              |
| <u>0</u>         | <u>0</u>     | <u>0</u>             | <u>2,522</u>       | <u>3,775</u>   | <u>(1,253)</u>       |
| <u>\$ (356)</u>  | <u>96</u>    | <u>\$ (452)</u>      | <u>\$ (10,780)</u> | <u>(2,808)</u> | <u>\$ (7,972)</u>    |
|                  | 7            |                      |                    | 2,402          |                      |
|                  |              |                      |                    |                |                      |
|                  | 103          |                      |                    | (406)          |                      |
|                  | 11,810       |                      |                    | 9,795          |                      |
| <u>\$ 11,913</u> |              |                      | <u>\$ 9,389</u>    |                |                      |

This statement continued on the next page.

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|  | School          |                 | Variance with<br>Budget |
|--|-----------------|-----------------|-------------------------|
|  | Budget          | Actual          |                         |
| <b>REVENUES</b>  |                 |                 |                         |
| Unrestricted:  |                 |                 |                         |
| Taxes  | \$ 32,659       | \$ 32,659       | \$ 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  |                 |                 |                         |
| Nonfederal Grants and Contracts  |                 |                 |                         |
| Interagency  |                 |                 |                         |
| <b>Total Revenues</b>  | <u>32,659</u>   | <u>32,659</u>   | <u>0</u>                |
| <b>EXPENDITURES</b>  |                 |                 |                         |
| Current:   |                 |                 |                         |
| General Government   | 78              | 78              | 0                       |
| Education  | 30,572          | 30,572          | 0                       |
| Health and Human Services  |                 |                 |                         |
| Law and Justice  |                 |                 |                         |
| Public Protection  |                 |                 |                         |
| Natural Resources  |                 |                 |                         |
| Development  |                 |                 |                         |
| Transportation   |                 |                 |                         |
| <b>Total Expenditures</b>  | <u>30,650</u>   | <u>30,650</u>   | <u>0</u>                |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | <u>2,009</u>    | <u>2,009</u>    | <u>0</u>                |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                 |                 |                         |
| Transfers In from Other Funds  |                 |                 |                         |
| Transfers (Out to) Other Funds   |                 |                 |                         |
| <b>Total Other Financing Sources<br/>and Uses</b>  | <u>0</u>        | <u>0</u>        | <u>0</u>                |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>Budgetary Basis | <u>\$ 2,009</u> | <u>2,009</u>    | <u>\$ 0</u>             |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |                 |                 |                         |
| Adjust Expenditures for Encumbrances<br>Funds Not Annually Budgeted  |                 | <u>212</u>      |                         |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>GAAP Basis      |                 | 2,221           |                         |
| Fund Balances - Beginning of Year  |                 | 4,192           |                         |
| Prior Period Adjustment  |                 |                 |                         |
| <b>Fund Balances - End of Year</b>   |                 | <u>\$ 6,413</u> |                         |

| National Petroleum Reserve |                  |                      | Clean Air Protection |               |                      |
|----------------------------|------------------|----------------------|----------------------|---------------|----------------------|
| Budget                     | Actual           | Variance with Budget | Budget               | Actual        | Variance with Budget |
| \$                         | \$               | \$                   | \$                   | \$            | \$                   |
|                            |                  |                      | 3,058                | 3,058         | 0                    |
| 2,530                      | 2,530            | 0                    |                      |               |                      |
|                            |                  |                      |                      |               |                      |
| 2,530                      | 2,530            | 0                    | 3,058                | 3,058         | 0                    |
|                            |                  |                      |                      |               |                      |
|                            |                  |                      | 100                  | 100           | 0                    |
| 26,473                     | 26,473           | 0                    |                      |               |                      |
|                            |                  |                      | 3,703                | 2,651         | 1,052                |
| 13,188                     | 13,188           | 0                    |                      |               |                      |
| 39,661                     | 39,661           | 0                    | 3,803                | 2,751         | 1,052                |
| (37,131)                   | (37,131)         | 0                    | (745)                | 307           | (1,052)              |
|                            |                  |                      |                      |               |                      |
| (9,545)                    | (9,545)          | 0                    |                      |               |                      |
| (9,545)                    | (9,545)          | 0                    | 0                    | 0             | 0                    |
|                            |                  |                      |                      |               |                      |
| <u>\$ (46,676)</u>         | <u>(46,676)</u>  | <u>\$ 0</u>          | <u>\$ (745)</u>      | <u>307</u>    | <u>\$ (1,052)</u>    |
|                            |                  |                      |                      |               |                      |
|                            | 32,505           |                      |                      | 69            |                      |
|                            |                  |                      |                      |               |                      |
|                            | (14,171)         |                      |                      | 376           |                      |
|                            | 49,206           |                      |                      | 185           |                      |
|                            | <u>\$ 35,035</u> |                      |                      | <u>\$ 561</u> |                      |

This statement continued on the next page.

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|  | Exxon Valdez Oil Spill Restoration |                 |                      |
|--|------------------------------------|-----------------|----------------------|
|  | Budget                             | Actual          | Variance with Budget |
| <b>REVENUES</b>  |                                    |                 |                      |
| Unrestricted:  |                                    |                 |                      |
| Taxes  | \$                                 | \$              | \$                   |
| Licenses and Permits   |                                    |                 |                      |
| Charges for Services   |                                    |                 |                      |
| Fines and Forfeitures  |                                    |                 |                      |
| Rents and Royalties  |                                    |                 |                      |
| Premiums and Contributions   |                                    |                 |                      |
| Interest and Investment Income   | 36                                 | 36              | 0                    |
| Other Revenues   |                                    |                 |                      |
| Restricted:  |                                    |                 |                      |
| Federal Grants in Aid  |                                    |                 |                      |
| Nonfederal Grants and Contracts  |                                    |                 |                      |
| Interagency  |                                    |                 |                      |
| Total Revenues   | 36                                 | 36              | 0                    |
| <b>EXPENDITURES</b>  |                                    |                 |                      |
| Current:   |                                    |                 |                      |
| General Government   |                                    |                 |                      |
| Education  |                                    |                 |                      |
| Health and Human Services  | 488                                | 488             | 0                    |
| Law and Justice  | 100                                | 73              | 27                   |
| Public Protection  |                                    |                 |                      |
| Natural Resources  | 384                                | 334             | 50                   |
| Development  | 350                                | 350             | 0                    |
| Transportation   | 2,653                              |                 | 2,653                |
| Total Expenditures   | 3,975                              | 1,245           | 2,730                |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | (3,939)                            | (1,209)         | (2,730)              |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                    |                 |                      |
| Transfers In from Other Funds  |                                    |                 |                      |
| Transfers (Out to) Other Funds   |                                    |                 |                      |
| Total Other Financing Sources<br>and Uses  | 0                                  | 0               | 0                    |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>Budgetary Basis | <u>\$ (3,939)</u>                  | <u>(1,209)</u>  | <u>\$ (2,730)</u>    |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |                                    |                 |                      |
| Adjust Expenditures for Encumbrances   |                                    | 607             |                      |
| Funds Not Annually Budgeted  |                                    |                 |                      |
| Basis Difference   |                                    |                 |                      |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, Other Financing Sources,<br>GAAP Basis          |                                    | (602)           |                      |
| Fund Balances - Beginning of Year  |                                    | 4,268           |                      |
| Prior Period Adjustment  |                                    |                 |                      |
| Fund Balances - End of Year  |                                    | <u>\$ 3,666</u> |                      |

STATEMENT 3.33

| Alyeska Settlement Trust |          |                      | Exxon Valdez Settlement Trust |          |                      |
|--------------------------|----------|----------------------|-------------------------------|----------|----------------------|
| Budget                   | Actual   | Variance with Budget | Budget                        | Actual   | Variance with Budget |
| \$                       | \$       | \$                   | \$                            | \$       | \$                   |
|                          |          |                      |                               |          |                      |
|                          |          |                      | 3,729                         | 3,729    | 0                    |
| 65                       | 65       | 0                    | 66                            | 66       | 0                    |
|                          |          |                      | 10                            | 10       | 0                    |
|                          |          |                      | 69                            | 69       | 0                    |
| 65                       | 65       | 0                    | 3,874                         | 3,874    | 0                    |
|                          |          |                      |                               |          |                      |
|                          |          |                      | 1,500                         | 1,444    | 56                   |
|                          |          |                      | 1,964                         | 118      | 1,846                |
|                          |          |                      | 8,711                         | 4,844    | 3,867                |
| 6,885                    | 1,600    | 5,285                |                               |          |                      |
| 6,885                    | 1,600    | 5,285                | 12,175                        | 6,406    | 5,769                |
| (6,820)                  | (1,535)  | (5,285)              | (8,301)                       | (2,532)  | (5,769)              |
|                          |          |                      |                               |          |                      |
| 0                        | 0        | 0                    | 0                             | 0        | 0                    |
|                          |          |                      |                               |          |                      |
| \$ (6,820)               | (1,535)  | \$ (5,285)           | \$ (8,301)                    | (2,532)  | \$ (5,769)           |
|                          |          |                      |                               |          |                      |
|                          | 200      |                      |                               | 3,099    |                      |
|                          |          |                      |                               |          |                      |
|                          | (1,335)  |                      |                               | 567      |                      |
|                          | 7,982    |                      |                               | 6,233    |                      |
|                          | \$ 6,647 |                      |                               | \$ 6,800 |                      |

This statement continued on the next page.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds  
 For the Fiscal Year Ended June 30, 2004  
 (Stated in Thousands)

|  | Funds Not Annually Budgeted                       |                                |
|--|---|--------------------------------|
|  | Northern Tobacco<br>Securitization<br>Corporation | Reclamation<br>Bonding<br>Pool |
|  | Actual  | Actual                         |
| <b>REVENUES</b>  |   |                                |
| Unrestricted:  |   |                                |
| Taxes  | \$  | \$                             |
| Licenses and Permits   |   |                                |
| Charges for Services   |   |                                |
| Fines and Forfeitures  |   |                                |
| Rents and Royalties  |   |                                |
| Premiums and Contributions   |   |                                |
| Interest and Investment Income   |   |                                |
| Other Revenues   |   |                                |
| Restricted:  |   |                                |
| Federal Grants in Aid  |   |                                |
| Nonfederal Grants and Contracts  |   |                                |
| Interagency  |   |                                |
| Total Revenues   | 0   | 0                              |
| <b>EXPENDITURES</b>  |   |                                |
| Current:   |   |                                |
| General Government   |   |                                |
| Education  |   |                                |
| Health and Human Services  |   |                                |
| Law and Justice  |   |                                |
| Public Protection  |   |                                |
| Natural Resources  |   |                                |
| Development  |   |                                |
| Transportation   |   |                                |
| Total Expenditures   | 0   | 0                              |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | 0   | 0                              |
| <b>OTHER FINANCING SOURCES (USES)</b>  |   |                                |
| Transfers In from Other Funds  |   |                                |
| Transfers (Out to) Other Funds   |   |                                |
| Total Other Financing Sources<br>and Uses  | 0   | 0                              |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>Budgetary Basis | 0   | 0                              |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING</b>   |   |                                |
| Adjust Expenditures for Encumbrances   |   |                                |
| Funds Not Annually Budgeted<br>Basis Difference  | (109)   | 46                             |
| Excess (Deficiency) of Revenues, Over (Under)<br>Expenditures, and Other Financing Sources,<br>GAAP Basis      | (109)   | 46                             |
| Fund Balances - Beginning of Year  | 401   | 715                            |
| Prior Period Adjustment  |   |                                |
| Fund Balances - End of Year  | \$ 292  | \$ 761                         |

STATEMENT 3.33

| Total Nonmajor Special Revenue Funds |                  |                      |
|--------------------------------------|------------------|----------------------|
| Budget                               | Actual           | Variance with Budget |
| \$ 32,659                            | \$ 32,659        | \$ 0                 |
| 25,574                               | 25,574           | 0                    |
| 223                                  | 223              | 0                    |
| 59                                   | 59               | 0                    |
| 2,530                                | 2,530            | 0                    |
| 7,891                                | 7,891            | 0                    |
| 306                                  | 306              | 0                    |
| 30                                   | 30               | 0                    |
| 25,526                               | 22,421           | 3,105                |
| 42                                   | 43               | (1)                  |
| 848                                  | 652              | 196                  |
| <u>95,688</u>                        | <u>92,388</u>    | <u>3,300</u>         |
| 1,418                                | 1,418            | 0                    |
| 30,572                               | 30,572           | 0                    |
| 33,026                               | 32,503           | 523                  |
| 2,194                                | 321              | 1,873                |
| 1,020                                | 1,020            | 0                    |
| 71,980                               | 56,992           | 14,988               |
| 13,538                               | 13,538           | 0                    |
| 9,538                                | 1,600            | 7,938                |
| <u>163,286</u>                       | <u>137,964</u>   | <u>25,322</u>        |
| (67,598)                             | (45,576)         | (22,022)             |
| 2,522                                | 3,775            | (1,253)              |
| (9,545)                              | (9,545)          | 0                    |
| (7,023)                              | (5,770)          | (1,253)              |
| <u>\$ (74,621)</u>                   | <u>(51,346)</u>  | <u>\$ (23,275)</u>   |
|                                      | 38,895           |                      |
|                                      | (63)             |                      |
|                                      | <u>212</u>       |                      |
|                                      | (12,302)         |                      |
|                                      | 97,466           |                      |
|                                      | <u>\$ 85,164</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.

- 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, 2004  
 (Stated in Thousands)

STATEMENT 3.41

|                                   | General<br>Obligation<br>Bond Redemption | Northern<br>Tobacco<br>Securitization<br>Corporation | Total Nonmajor<br>Debt Service<br>Funds |
|-----------------------------------|--|--|---|
| <b>ASSETS</b>                     |  |  |   |
| Cash and Investments              | \$ 24,055                                | \$ 28,051  | \$ 52,106                               |
| Interest and Dividends Receivable |  | 62   | 62                                      |
| <b>Total Assets</b>               | <b>\$ 24,055</b>                         | <b>\$ 28,113</b>                                     | <b>\$ 52,168</b>                        |
| <b>FUND BALANCES</b>              |  |  |   |
| Reserved for Debt Service         | \$ 24,055                                | \$ 28,113  | \$ 52,168                               |

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

## Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|   | General<br>Obligation<br>Bond Redemption | Northern<br>Tobacco<br>Securitization<br>Corporation | Total Nonmajor<br>Debt Service<br>Funds |
|---|--|--|---|
| <b>REVENUES</b>   |  |  |   |
| Interest and Investment Income                              | \$ 332                                   | \$ 1,286   | \$ 1,618                                |
| Net Increase (Decrease) in the Fair<br>Value of Investments |  | (38)   | (38)                                    |
| Other Revenues  |  | 17,151   | 17,151                                  |
| Total Revenues  | <u>332</u>                               | <u>18,399</u>  | <u>18,731</u>                           |
| <b>EXPENDITURES</b>   |  |  |   |
| Debt Service:   |  |  |   |
| Principal   |  | 6,485  | 6,485                                   |
| Interest and Other Charges                                  | 18,471                                   | 12,879   | 31,350                                  |
| Total Expenditures  | <u>18,471</u>                            | <u>19,364</u>  | <u>37,835</u>                           |
| Excess (Deficiency) of Revenues<br>Over Expenditures        | <u>(18,139)</u>                          | <u>(965)</u>   | <u>(19,104)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                       |  |  |   |
| Transfers In from Other Funds                               | 4,194                                    |  | 4,194                                   |
| Total Other Financing Sources<br>and Uses                   | 4,194                                    | 0  | 4,194                                   |
| Net Change in Fund Balances                                 | (13,945)                                 | (965)  | (14,910)                                |
| Fund Balances - Beginning of Year                           | 38,000                                   | 29,078   | 67,078                                  |
| Fund Balances - End of Year                                 | <u>\$ 24,055</u>                         | <u>\$ 28,113</u>                                     | <u>\$ 52,168</u>                        |



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# Nonmajor Capital Projects Funds

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



STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2004  
(Stated in Thousands)

STATEMENT 3.51

|  | Accelerated<br>Alaska<br>Transportation<br>Projects | Transportation<br>Project | Educational and<br>Museum<br>Facility Design,<br>Construction, and<br>Major Maintenance | Total Nonmajor<br>Capital Projects<br>Funds |
|--|---|---------------------------|---|---|
| <b>ASSETS</b>                            |   |                           |   |   |
| Cash and Investments                     | \$ 92,735   | \$ 116,076                | \$ 177,858  | \$ 386,669                                  |
| Interest and Dividends Receivable        | 90  | 113                       | 175   | 378   |
| Due from Component Units                 |   |                           | 2,819   | 2,819                                       |
| Total Assets                             | <u>\$ 92,825</u>                                    | <u>\$ 116,189</u>         | <u>\$ 180,852</u>   | <u>\$ 389,866</u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>     |   |                           |   |   |
| Liabilities:                             |   |                           |   |   |
| Accounts Payable and Accrued Liabilities | \$ 711  | \$ 1,725                  | \$ 9,896  | \$ 9,896                                    |
| Due to Other Funds                       | 711   | 1,725                     | 189   | 2,625                                       |
| Total Liabilities                        | <u>711</u>  | <u>1,725</u>              | <u>10,085</u>   | <u>12,521</u>                               |
| Fund Balances:                           |   |                           |   |   |
| Reserved:                                |   |                           |   |   |
| Encumbrances                             | 1,852   | 21,178                    | 126,333   | 149,363                                     |
| Unreserved:                              |   |                           |   |   |
| Designated for Continuing Appropriations | 89,026  | 91,459                    | 42,602  | 223,087                                     |
| Undesignated                             | 1,236   | 1,827                     | 1,832   | 4,895                                       |
| Total Fund Balances                      | <u>92,114</u>                                       | <u>114,464</u>            | <u>170,767</u>  | <u>377,345</u>                              |
| Total Liabilities and Fund Balances      | <u>\$ 92,825</u>                                    | <u>\$ 116,189</u>         | <u>\$ 180,852</u>   | <u>\$ 389,866</u>                           |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Fiscal Year Ended June 30, 2004  
 (Stated in Thousands)

|  | Accelerated<br>Alaska<br>Transportation<br>Projects | Transportation<br>Project | Educational and<br>Museum<br>Facility Design,<br>Construction, and<br>Major Maintenance | Total Nonmajor<br>Capital Projects<br>Funds |
|--|---|---------------------------|---|---|
| <b>REVENUES</b>                                      |   |                           |   |   |
| Interest and Investment Income                       | \$ 1,199  | \$ 1,421                  | \$ 2,401  | \$ 5,021                                    |
| Total Revenues                                       | <u>1,199</u>  | <u>1,421</u>              | <u>2,401</u>  | <u>5,021</u>                                |
| <b>EXPENDITURES</b>                                  |   |                           |   |   |
| Current  |   |                           |   |   |
| Education  |   |                           | 46,699  | 46,699                                      |
| University   |   |                           | 14,528  | 14,528                                      |
| Transportation                                       | 11,896  | 11,078                    |   | 22,974                                      |
| Total Expenditures                                   | <u>11,896</u>                                       | <u>11,078</u>             | <u>61,227</u>   | <u>84,201</u>                               |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(10,697)</u>                                     | <u>(9,657)</u>            | <u>(58,826)</u>   | <u>(79,180)</u>                             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |   |                           |   |   |
| Transfers (Out to) Other Funds                       | (300)   |                           |   | (300)                                       |
| Total Other Financing Sources<br>and Uses            | <u>(300)</u>  | <u>0</u>                  | <u>0</u>  | <u>(300)</u>                                |
| Net Change in Fund Balances                          | (10,997)  | (9,657)                   | (58,826)  | (79,480)                                    |
| Fund Balances - Beginning of Year                    | 103,111   | 124,121                   | 229,589   | 456,821                                     |
| Prior Period Adjustment                              |   |                           | 4   | 4   |
| Fund Balances - End of Year                          | <u>\$ 92,114</u>                                    | <u>\$ 114,464</u>         | <u>\$ 170,767</u>   | <u>\$ 377,345</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 Fund (Fund 21605) – AS 26.15.090 – Administered by Department of Community and Economic Development (DCED). 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 DCED. 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 DCED. 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 DCED. 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 DCED. 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 DCED. 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 DCED. AS 45.95 authorizes the Commissioner of DCED 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 DCED. 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 DCED. 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 Agricultural Revolving Loan Fund was created to fulfill this purpose.
- Alaska Clean Water Fund (Fund 21658) – AS 46.03.032-036 & 37.15.565 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities and to provide financial assistance for this purpose.

- Alaska Drinking Water Fund (Fund 21659) – AS 46.03.036-038 & 37.15.565 – Administered by the Department of Environmental Conservation. The fund consists of federal capitalization grants. The capitalization grants are divided between two purposes: part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; the other part is to be used or set aside for non-project activities.
- Alcoholism and Drug Abuse Revolving Loan Fund (Fund 21642) – AS 44.29.210 – Administered by Department of Health and Social Services. This fund is required under 42 U.S.C. 300x-4a 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 – 2. 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 groups.
- 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.



STATE OF ALASKA  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
June 30, 2004  
(Stated in Thousands)

STATEMENT 4.01

|  | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise Funds |
|--|--------------------------|----------------------|-------------------|------------------------------------|
| <b>ASSETS</b>  |                          |                      |                   |                                    |
| Current Assets:  |                          |                      |                   |                                    |
| Cash and Investments                                     | \$ 50,330                | \$ 318               | \$ 272,872        | \$ 323,520                         |
| Accounts Receivable - Net                                | 227                      |                      | 6,603             | 6,830                              |
| Interest and Dividends Receivable                        | 3,114                    |                      | 1,831             | 4,945                              |
| Due from Other Funds                                     | 2                        |                      | 155               | 157                                |
| Due from Other Governments                               |                          |                      | 468               | 468                                |
| Loans, Notes, and Bonds Receivable                       | 7,259                    | 12                   | 10,467            | 17,738                             |
| <b>Total Current Assets</b>                              | <b>60,932</b>            | <b>330</b>           | <b>292,396</b>    | <b>353,658</b>                     |
| Noncurrent Assets:                                       |                          |                      |                   |                                    |
| Accounts Receivable - Net                                | 539                      |                      |                   | 539                                |
| Interest and Dividends Receivable                        | 24,674                   |                      |                   | 24,674                             |
| Loans, Notes, and Bonds Receivable                       | 108,858                  | 12                   | 144,875           | 253,745                            |
| Repossessed Property                                     | 961                      |                      | 1,528             | 2,489                              |
| Investment in Projects, Partnerships,<br>or Corporations |                          |                      | 8,037             | 8,037                              |
| Other Noncurrent Assets                                  |                          |                      | 1,240             | 1,240                              |
| Capital Assets:  |                          |                      |                   |                                    |
| Construction in Progress                                 |                          |                      | 2,185             | 2,185                              |
| <b>Total Noncurrent Assets</b>                           | <b>135,032</b>           | <b>12</b>            | <b>157,865</b>    | <b>292,909</b>                     |
| <b>Total Assets</b>                                      | <b>195,964</b>           | <b>342</b>           | <b>450,261</b>    | <b>646,567</b>                     |
| <b>LIABILITIES</b>                                       |                          |                      |                   |                                    |
| Current Liabilities:                                     |                          |                      |                   |                                    |
| Accounts Payable and Accrued Liabilities                 | 130                      |                      | 4,131             | 4,261                              |
| Due to Other Funds                                       | 581                      | 17                   | 957               | 1,555                              |
| Due to Other Governments                                 |                          |                      | 4,759             | 4,759                              |
| Claims, Judgements and<br>Compensated Absences           |                          |                      | 39                | 39                                 |
| Other Current Liabilities                                | 70                       |                      | 640               | 710                                |
| <b>Total Current Liabilities</b>                         | <b>781</b>               | <b>17</b>            | <b>10,526</b>     | <b>11,324</b>                      |
| Noncurrent Liabilities:                                  |                          |                      |                   |                                    |
| Other Noncurrent Liabilities                             |                          |                      | 20                | 20                                 |
| <b>Total Noncurrent Liabilities</b>                      | <b>0</b>                 | <b>0</b>             | <b>20</b>         | <b>20</b>                          |
| <b>Total Liabilities</b>                                 | <b>781</b>               | <b>17</b>            | <b>10,546</b>     | <b>11,344</b>                      |
| <b>NET ASSETS</b>  |                          |                      |                   |                                    |
| Invested in Capital Assets,<br>Net of Related Debt       |                          |                      |                   |                                    |
|  |                          |                      | 2,185             | 2,185                              |
| Restricted for:  |                          |                      |                   |                                    |
| Unemployment Compensation                                |                          |                      | 180,625           | 180,625                            |
| Other Purposes   |                          |                      | 230,312           | 230,312                            |
| Unrestricted   | 195,183                  | 325                  | 26,593            | 222,101                            |
| <b>Total Net Assets</b>                                  | <b>\$ 195,183</b>        | <b>\$ 325</b>        | <b>\$ 439,715</b> | <b>\$ 635,223</b>                  |

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

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise Funds |
|---|--------------------------|----------------------|-------------------|------------------------------------|
| <b>OPERATING REVENUES</b>                         |                          |                      |                   |                                    |
| Premiums and Contributions                        | \$                       | \$                   | \$ 160,762        | \$ 160,762                         |
| Charges for Goods and Services                    | 140                      |                      | 493               | 633                                |
| Interest and Investment Income                    | 6,695                    | 35                   | 2,840             | 9,570                              |
| Allowance for Uncollectible Interest              | 18                       |                      |                   | 18                                 |
| Fines and Forfeitures                             | 105                      |                      | 7                 | 112                                |
| Federal Grants in Aid                             |                          |                      | 2,441             | 2,441                              |
| Total Operating Revenues                          | 6,958                    | 35                   | 166,543           | 173,536                            |
| <b>OPERATING EXPENSES</b>                         |                          |                      |                   |                                    |
| Benefits  |                          |                      | 185,342           | 185,342                            |
| Operating   | 3,538                    | 62                   | 1,117             | 4,717                              |
| Depreciation                                      |                          |                      | 90                | 90                                 |
| Provision for Loan Losses and Forgiveness         | (398)                    | 8                    | 455               | 65                                 |
| Other Operating Expenses                          |                          |                      | 182               | 182                                |
| Total Operating Expenses                          | 3,140                    | 70                   | 187,186           | 190,396                            |
| Operating Income (Loss)                           | 3,818                    | (35)                 | (20,643)          | (16,860)                           |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                          |                      |                   |                                    |
| Interest and Investment Income                    |                          |                      | 11,906            | 11,906                             |
| Interest and Investment Expense                   |                          |                      | (10)              | (10)                               |
| Other Nonoperating Revenues (Expenses)            |                          |                      | 7                 | 7                                  |
| Total Nonoperating Revenues (Expenses)            | 0                        | 0                    | 11,903            | 11,903                             |
| Income Before Capital Contributions and Transfers | 3,818                    | (35)                 | (8,740)           | (4,957)                            |
| Capital Contributions                             |                          |                      | 28,280            | 28,280                             |
| Transfers In from Other Funds                     |                          |                      | 809               | 809                                |
| Transfers (Out to) Other Funds                    | (1,535)                  | (5)                  | (3,575)           | (5,115)                            |
| Change in Net Assets                              | 2,283                    | (40)                 | 16,774            | 19,017                             |
| Total Net Assets - Beginning of Year              | 192,900                  | 365                  | 426,869           | 620,134                            |
| Prior Period Adjustment                           |                          |                      | (3,928)           | (3,928)                            |
| Total Net Assets - End of Year                    | \$ 195,183               | \$ 325               | \$ 439,715        | \$ 635,223                         |

STATE OF ALASKA  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(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   | \$                    | \$                | \$ 773         | \$ 773                          |
| Receipts from Customers   | 343                   |                   |                | 343                             |
| Receipt of Principal from Loan Recipients   | 11,210                | 59                | 11,696         | 22,965                          |
| Receipt of Interest and Fees from Loan Recipients   | 6,053                 | 10                | 3,207          | 9,270                           |
| Receipts from Insured   |                       |                   | 159,964        | 159,964                         |
| Payments to Employees   |                       |                   | (822)          | (822)                           |
| Payments to Suppliers   |                       |                   | (183)          | (183)                           |
| Payments to Other Governments   |                       |                   | (913)          | (913)                           |
| Payments to Loan Recipients   | (9,383)               |                   | (36,014)       | (45,397)                        |
| Claims Paid   |                       |                   | (186,604)      | (186,604)                       |
| Interfund Services Used   | (3,791)               | (84)              | (3)            | (3,878)                         |
| Other Receipts  | 201                   |                   | 114            | 315                             |
| Other Payments  |                       | (2)               | (314)          | (316)                           |
| Net Cash Provided (Used) by Operating Activities  | 4,633                 | (17)              | (49,099)       | (44,483)                        |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>   |                       |                   |                |                                 |
| Operating Subsidies and Transfers (Out to) Other Funds  | (1,144)               | (5)               | (3,575)        | (4,724)                         |
| Operating Subsidies and Transfers In from Other Funds   |                       |                   | 809            | 809                             |
| Federal Grants  |                       |                   | 27,718         | 27,718                          |
| Proceeds from Issuance of Short-term Debt   |                       |                   | 2,640          | 2,640                           |
| Payments on Short-term Debt   |                       |                   | (2,640)        | (2,640)                         |
| Interest and Fees Paid on Borrowing   |                       |                   | (3)            | (3)                             |
| Net Cash Provided (Used) by Noncapital Financing Activities   | (1,144)               | (5)               | 24,949         | 23,800                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                       |                   |                |                                 |
| Interest and Dividends on Investments   |                       |                   | 11,896         | 11,896                          |
| Net Cash Provided (Used) by Investing Activities  | 0                     | 0                 | 11,896         | 11,896                          |
| Net Increase (Decrease) in Cash   | 3,489                 | (22)              | (12,254)       | (8,787)                         |
| Cash and Cash Equivalents - Beginning of Year   | 46,841                | 340               | 285,126        | 332,307                         |
| Cash and Cash Equivalents - End of Year   | \$ 50,330             | \$ 318            | \$ 272,872     | \$ 323,520                      |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                       |                   |                |                                 |
| Operating Income (Loss)   | \$ 3,818              | \$ (35)           | \$ (20,643)    | \$ (16,860)                     |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                       |                   |                |                                 |
| Depreciation and Amortization   |                       |                   | 90             | 90                              |
| Other Reconciling Items   |                       |                   | (80)           | (80)                            |
| Net Changes in Assets and Liabilities:  |                       |                   |                |                                 |
| Accounts Receivable - Net   | (18)                  |                   | (1,230)        | (1,248)                         |
| Due From Other Funds  |                       |                   | 76             | 76                              |
| Due From Other Governments  |                       |                   | (405)          | (405)                           |
| Loans, Notes and Bonds Receivable - Net   | 1,983                 | 39                | (24,218)       | (22,196)                        |
| Repossessed Property  |                       |                   | 90             | 90                              |
| Investment in Projects, Partnerships, or Corporations   |                       |                   | 25             | 25                              |
| Interest and Dividends Receivable - Net   | 171                   | 1                 | 25             | 197                             |
| Other Assets  | (298)                 |                   | (1,341)        | (1,639)                         |
| Due to Other Funds  | (426)                 | (22)              | 89             | (359)                           |
| Due to Other Governments  |                       |                   | (678)          | (678)                           |
| Accounts Payable and Accrued Liabilities  | (598)                 |                   | (1,344)        | (1,942)                         |
| Other Liabilities   | 1                     |                   | 445            | 446                             |
| Net Cash Provided (Used) by Operating Activities  | \$ 4,633              | \$ (17)           | \$ (49,099)    | \$ (44,483)                     |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |                       |                   |                |                                 |
| Total Cash and Investments per the Statement of Net Assets  | \$ 50,330             | \$ 318            | \$ 272,872     | \$ 323,520                      |
| Cash, End of Year   | \$ 50,330             | \$ 318            | \$ 272,872     | \$ 323,520                      |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                       |                   |                |                                 |
| Contributed Capital Assets  |                       |                   | 562            | 562                             |
| Transfers (Out to) Other Funds (Accrual)  | (558)                 | (5)               |                | (563)                           |

STATE OF ALASKA  
Combining Statement of Net Assets  
Commercial Assistance Enterprise Funds  
June 30, 2004  
(Stated in Thousands)

STATEMENT 4.11

|  | Alaska<br>World War II<br>Veterans'<br>Revolving Loan | Small<br>Business<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan |
|--|---|--|--|
| <b>ASSETS</b>                            |   |  |  |
| Current Assets:                          |   |  |  |
| Cash and Investments                     | \$ 241  | \$ 310                                 | \$ 29,437                                  |
| Accounts Receivable - Net                | 189   |  | 38   |
| Interest and Dividends Receivable        |   |  | 2,695                                      |
| Due from Other Funds                     |   |  | 2  |
| Loans, Notes, and Bonds Receivable       | 3   | 1                                      | 5,856                                      |
| Total Current Assets                     | <u>433</u>  | <u>311</u>                             | <u>38,028</u>                              |
| Noncurrent Assets:                       |   |  |  |
| Accounts Receivable - Net                |   |  | 539  |
| Interest and Dividends Receivable        | 9   |  | 3,695                                      |
| Loans, Notes, and Bonds Receivable       | 29  | 23                                     | 55,323                                     |
| Repossessed Property                     |   |  | 961  |
| Total Noncurrent Assets                  | <u>38</u>   | <u>23</u>                              | <u>60,518</u>                              |
| Total Assets                             | <u>471</u>  | <u>334</u>                             | <u>98,546</u>                              |
| <b>LIABILITIES</b>                       |   |  |  |
| Current Liabilities:                     |   |  |  |
| Accounts Payable and Accrued Liabilities | 14  |  | 116  |
| Due to Other Funds                       | 77  | 60                                     |  |
| Other Current Liabilities                |   |  | 53   |
| Total Liabilities                        | <u>91</u>   | <u>60</u>                              | <u>169</u>                                 |
| <b>NET ASSETS</b>                        |   |  |  |
| Unrestricted                             | 380   | 274                                    | 98,377                                     |
| Total Net Assets                         | <u>\$ 380</u>   | <u>\$ 274</u>                          | <u>\$ 98,377</u>                           |

STATEMENT 4.11

| Child Care Facility Revolving Loan | Historical District Revolving Loan | Fisheries Enhancement Revolving Loan | Mining Revolving Loan | Total Commercial Assistance Enterprise Funds |
|------------------------------------|------------------------------------|--------------------------------------|-----------------------|--|
| \$ 110                             | \$ 301                             | \$ 19,449                            | \$ 482                | \$ 50,330                                    |
|                                    | 1                                  | 418                                  |                       | 227  |
|                                    |                                    |                                      |                       | 3,114  |
|                                    |                                    |                                      |                       | 2  |
| 8                                  | 10                                 | 1,381                                |                       | 7,259  |
| 118                                | 312                                | 21,248                               | 482                   | 60,932                                       |
|                                    |                                    |                                      |                       | 539  |
|                                    |                                    | 20,970                               |                       | 24,674                                       |
| 9                                  | 124                                | 53,350                               |                       | 108,858                                      |
|                                    |                                    |                                      |                       | 961  |
| 9                                  | 124                                | 74,320                               | 0                     | 135,032                                      |
| 127                                | 436                                | 95,568                               | 482                   | 195,964                                      |
|                                    |                                    |                                      |                       | 130  |
| 11                                 | 201                                |                                      | 232                   | 581  |
|                                    |                                    | 17                                   |                       | 70   |
| 11                                 | 201                                | 17                                   | 232                   | 781  |
|                                    |                                    |                                      |                       | 130  |
| 116                                | 235                                | 95,551                               | 250                   | 195,183                                      |
| <u>\$ 116</u>                      | <u>\$ 235</u>                      | <u>\$ 95,551</u>                     | <u>\$ 250</u>         | <u>\$ 195,183</u>                            |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Commercial Assistance Enterprise Funds  
 For the Fiscal Year Ended June 30, 2004  
 (Stated in Thousands)

|   | Alaska<br>World War II<br>Veterans'<br>Revolving Loan | Small<br>Business<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan |
|---|---|--|--|
| <b>OPERATING REVENUES</b>                 |   |  |  |
| Charges for Goods and Services            | \$ 8  | \$                                     | \$ 103                                     |
| Interest and Investment Income            | 4   | 56                                     | 4,921                                      |
| Allowance for Uncollectible Interest      |   |  | 200  |
| Fines and Forfeitures                     | 2   |  | 103  |
| Total Operating Revenues                  | <u>14</u>   | <u>56</u>                              | <u>5,327</u>                               |
| <b>OPERATING EXPENSES</b>                 |   |  |  |
| Operating                                 | 22  | 4                                      | 3,151                                      |
| Provision for Loan Losses and Forgiveness |   |  | (1,034)                                    |
| Total Operating Expenses                  | <u>22</u>   | <u>4</u>                               | <u>2,117</u>                               |
| Operating Income (Loss)                   | <u>(8)</u>  | <u>52</u>                              | <u>3,210</u>                               |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |   |  |  |
| Transfers (Out to) Other Funds            | (55)  | (59)                                   | (977)                                      |
| Change in Net Assets                      | (63)  | (7)                                    | 2,233                                      |
| Total Net Assets - Beginning of Year      | 443   | 281                                    | 96,144                                     |
| Total Net Assets - End of Year            | <u>\$ 380</u>   | <u>\$ 274</u>                          | <u>\$ 98,377</u>                           |



STATEMENT 4.12

| Child Care<br>Facility<br>Revolving Loan | Historical<br>District<br>Revolving<br>Loan | Fisheries<br>Enhancement<br>Revolving<br>Loan | Mining<br>Revolving<br>Loan | Total<br>Commercial<br>Assistance<br>Enterprise Funds |
|--|---|---|-----------------------------|---|
| \$ 3                                     | \$ 28                                       | \$ 29<br>1,681<br>(182)                       | \$ 2                        | \$ 140<br>6,695<br>18<br>105                          |
| <u>3</u>                                 | <u>28</u>                                   | <u>1,528</u>                                  | <u>2</u>                    | <u>6,958</u>  |
| 6  | 3   | 347<br>790                                    | 5<br>(154)                  | 3,538<br>(398)  |
| <u>6</u>                                 | <u>3</u>                                    | <u>1,137</u>                                  | <u>(149)</u>                | <u>3,140</u>  |
| <u>(3)</u>                               | <u>25</u>                                   | <u>391</u>                                    | <u>151</u>                  | <u>3,818</u>  |
| (11)                                     | (201)                                       |   | (232)                       | (1,535)   |
| <u>(14)</u>                              | <u>(176)</u>                                | <u>391</u>                                    | <u>(81)</u>                 | <u>2,283</u>  |
| 130                                      | 411   | 95,160  | 331                         | 192,900   |
| <u>\$ 116</u>                            | <u>\$ 235</u>                               | <u>\$ 95,551</u>                              | <u>\$ 250</u>               | <u>\$ 195,183</u>                                     |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Commercial Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2004  
(Stated in Thousands)

STATEMENT 4.13

|   | Alaska<br>World War II<br>Veterans'<br>Revolving Loan | Small<br>Business<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan |
|---|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |  |  |
| Receipts from Customers   | \$ 5  | \$ 1                                   | \$ 337                                     |
| Receipts of Principal from Loan Recipients  | 54  | 59                                     | 8,735                                      |
| Receipt of Interest and Fees from Loan Recipients   | 1   | 3                                      | 4,416                                      |
| Payments to Loan Recipients   |   |  | (6,061)                                    |
| Interfund Services Used   | (31)  | (4)                                    | (3,393)                                    |
| Other Receipts  |   |  | 201  |
| Net Cash Provided (Used) by Operating Activities  | <u>29</u>   | <u>59</u>                              | <u>4,235</u>                               |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |  |  |
| Operating Subsidies and Transfers (Out to) Other Funds  | (10)  | (89)                                   | (977)                                      |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>(10)</u>   | <u>(89)</u>                            | <u>(977)</u>                               |
| Net Increase (Decrease) in Cash   | 19  | (30)                                   | 3,258                                      |
| Cash and Cash Equivalents - Beginning of Year   | 222   | 340                                    | 26,179                                     |
| Cash and Cash Equivalents - End of Year   | <u>\$ 241</u>   | <u>\$ 310</u>                          | <u>\$ 29,437</u>                           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |   |  |  |
| Operating Income (Loss)   | \$ (8)  | \$ 52                                  | \$ 3,210                                   |
| Adjustments to Reconcile Operating Income to Net Cash   |   |  |  |
| Net Changes in Assets and Liabilities:  |   |  |  |
| Accounts Receivable - Net   | 4   |  | (22)                                       |
| Due From Other Funds  |   |  | (2)  |
| Loans, Notes and Bonds Receivable - Net   | 59  | 7                                      | 1,720                                      |
| Interest and Dividends Receivable - Net   |   |  | 61   |
| Other Assets  |   |  | (298)                                      |
| Due to Other Funds  | (9)   |  | (415)                                      |
| Accounts Payable and Accrued Liabilities  | (18)  |  | (19)                                       |
| Other Liabilities   | 1   |  |  |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 29</u>  | <u>\$ 59</u>                           | <u>\$ 4,235</u>                            |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |   |  |  |
| Total Cash and Investments per the Statement of Net Assets  | \$ 241  | \$ 310                                 | \$ 29,437                                  |
| Cash, End of Year   | <u>\$ 241</u>   | <u>\$ 310</u>                          | <u>\$ 29,437</u>                           |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |   |  |  |
| Transfers (Out to) Other Funds (Accrual)  | (55)  | (59)                                   |  |

STATEMENT 4.13

| Child Care Facility Revolving Loan | Historical District Revolving Loan | Fisheries Enhancement Revolving Loan | Mining Revolving Loan | Total Commercial Assistance Enterprise Funds |
|------------------------------------|------------------------------------|--------------------------------------|-----------------------|--|
| \$                                 | \$                                 | \$                                   | \$                    | \$   |
| 14                                 | 186                                | 1,927                                | 235                   | 343  |
| 2                                  | 20                                 | 1,609                                | 2                     | 11,210                                       |
|                                    |                                    | (3,322)                              |                       | 6,053  |
| (8)                                | (3)                                | (347)                                | (5)                   | (9,383)                                      |
|                                    |                                    |                                      |                       | (3,791)                                      |
|                                    |                                    |                                      |                       | 201  |
| 8                                  | 203                                | (133)                                | 232                   | 4,633  |
|                                    |                                    |                                      |                       |  |
| (22)                               | (39)                               |                                      | (7)                   | (1,144)                                      |
| (22)                               | (39)                               | 0                                    | (7)                   | (1,144)                                      |
|                                    |                                    |                                      |                       |  |
| (14)                               | 164                                | (133)                                | 225                   | 3,489  |
| 124                                | 137                                | 19,582                               | 257                   | 46,841                                       |
| \$ 110                             | \$ 301                             | \$ 19,449                            | \$ 482                | \$ 50,330                                    |
|                                    |                                    |                                      |                       |  |
| \$ (3)                             | \$ 25                              | \$ 391                               | \$ 151                | \$ 3,818                                     |
|                                    |                                    |                                      |                       | (18)   |
|                                    | 2                                  |                                      |                       | 0  |
| 13                                 | 176                                | (73)                                 | 81                    | 1,983  |
|                                    |                                    | 110                                  |                       | 171  |
|                                    |                                    |                                      |                       | (298)  |
| (2)                                |                                    |                                      |                       | (426)  |
|                                    |                                    | (561)                                |                       | (598)  |
|                                    |                                    |                                      |                       | 1  |
| \$ 8                               | \$ 203                             | \$ (133)                             | \$ 232                | \$ 4,633                                     |
|                                    |                                    |                                      |                       |  |
| \$ 110                             | \$ 301                             | \$ 19,449                            | \$ 482                | \$ 50,330                                    |
| \$ 110                             | \$ 301                             | \$ 19,449                            | \$ 482                | \$ 50,330                                    |
|                                    |                                    |                                      |                       |  |
| (11)                               | (201)                              |                                      | (232)                 | (558)  |

STATE OF ALASKA  
 Combining Statement of Net Assets  
 Energy Assistance Enterprise Funds  
 June 30, 2004  
 (Stated in Thousands)

STATEMENT 4.21

|                                    | Alternative<br>Energy<br>Revolving Loan | Residential<br>Energy<br>Conservation | Total Energy<br>Assistance<br>Enterprise Funds |
|------------------------------------|---|---------------------------------------|--|
| <b>ASSETS</b>                      |   |                                       |  |
| Current Assets:                    |   |                                       |  |
| Cash and Investments               | \$ 317                                  | \$ 1                                  | \$ 318   |
| Loans, Notes, and Bonds Receivable | 12                                      |                                       | 12   |
| Total Current Assets               | 329                                     | 1                                     | 330  |
| Noncurrent Assets:                 |   |                                       |  |
| Loans, Notes, and Bonds Receivable | 12                                      |                                       | 12   |
| Total Noncurrent Assets            | 12                                      | 0                                     | 12   |
| Total Assets                       | 341                                     | 1                                     | 342  |
| <b>LIABILITIES</b>                 |   |                                       |  |
| Current Liabilities:               |   |                                       |  |
| Due to Other Funds                 | 17                                      |                                       | 17   |
| Total Current Liabilities          | 17                                      | 0                                     | 17   |
| Total Liabilities                  | 17                                      | 0                                     | 17   |
| <b>NET ASSETS</b>                  |   |                                       |  |
| Unrestricted                       | 324                                     | 1                                     | 325  |
| Total Net Assets                   | \$ 324                                  | \$ 1                                  | \$ 325   |

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

## Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2004

(Stated in Thousands)

|   | Alternative<br>Energy<br>Revolving Loan | Residential<br>Energy<br>Conservation | Total Energy<br>Assistance<br>Enterprise<br>Funds |
|---|---|---------------------------------------|---|
| <b>OPERATING REVENUES</b>                 |   |                                       |   |
| Interest and Investment Income            | \$ 33                                   | \$ 2                                  | \$ 35   |
| Total Operating Revenues                  | <u>33</u>                               | <u>2</u>                              | <u>35</u>   |
| <b>OPERATING EXPENSES</b>                 |   |                                       |   |
| Operating                                 | 62                                      |                                       | 62  |
| Provision for Loan Losses and Forgiveness | 6                                       | 2                                     | 8   |
| Total Operating Expenses                  | <u>68</u>                               | <u>2</u>                              | <u>70</u>   |
| Operating Income (Loss)                   | <u>(35)</u>                             | <u>0</u>                              | <u>(35)</u>                                       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |   |                                       |   |
| Transfers (Out to) Other Funds            | <u>(5)</u>                              |                                       | <u>(5)</u>  |
| Change in Net Assets                      | (40)                                    | 0                                     | (40)  |
| Total Net Assets - Beginning of Year      | 364                                     | 1                                     | 365   |
| Total Net Assets - End of Year            | <u>\$ 324</u>                           | <u>\$ 1</u>                           | <u>\$ 325</u>                                     |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Energy Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2004  
(Stated in Thousands)

STATEMENT 4.23

|   | Alternative<br>Energy<br>Revolving Loan | Residential<br>Energy<br>Conservation | Total Energy<br>Assistance<br>Enterprise<br>Funds |
|---|---|---------------------------------------|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                                       |   |
| Receipts of Principal from Loan Recipients  | \$ 59                                   | \$                                    | \$ 59   |
| Receipt of Interest and Fees from Loan Recipients   | 8                                       | 2                                     | 10  |
| Interfund Services Used   | (84)                                    |                                       | (84)  |
| Other Payments  |   | (2)                                   | (2)   |
| Net Cash Provided (Used) by Operating Activities  | <u>(17)</u>                             | <u>0</u>                              | <u>(17)</u>                                       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |   |                                       |   |
| Operating Subsidies and Transfers (Out to) Other Funds  | (5)                                     |                                       | (5)   |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>(5)</u>                              | <u>0</u>                              | <u>(5)</u>  |
| Net Increase (Decrease) in Cash   | (22)                                    | 0                                     | (22)  |
| Cash and Cash Equivalents - Beginning of Year   | 339                                     | 1                                     | 340   |
| Cash and Cash Equivalents - End of Year   | <u>\$ 317</u>                           | <u>\$ 1</u>                           | <u>\$ 318</u>                                     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |   |                                       |   |
| Operating Income (Loss)   | \$ (35)                                 | \$                                    | \$ (35)   |
| Adjustments to Reconcile Operating Income to Net Cash   |   |                                       |   |
| Net Changes in Assets and Liabilities:  |   |                                       |   |
| Loans, Notes and Bonds Receivable - Net   | 39                                      |                                       | 39  |
| Interest and Dividends Receivable - Net   | 1                                       |                                       | 1   |
| Due to Other Funds  | (22)                                    |                                       | (22)  |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (17)</u>                          | <u>\$ 0</u>                           | <u>\$ (17)</u>                                    |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |   |                                       |   |
| Total Cash and Investments per the Statement of Net Assets  | \$ 317                                  | \$ 1                                  | \$ 318  |
| Cash, End of Year   | <u>\$ 317</u>                           | <u>\$ 1</u>                           | <u>\$ 318</u>                                     |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |   |                                       |   |
| Transfers (Out to) Other Funds (Accrual)  | (5)                                     |                                       | (5)   |



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STATE OF ALASKA  
Combining Statement of Net Assets  
Other Agencies Enterprise Funds  
June 30, 2004  
(Stated in Thousands)

STATEMENT 4.31

|  | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Unemployment<br>Compensation |
|--|--|--------------------------------|------------------------------|
| <b>ASSETS</b>  |  |                                |                              |
| Current Assets:  |  |                                |                              |
| Cash and Investments                                     | \$ 165   | \$ 2,831                       | \$ 184,180                   |
| Accounts Receivable - Net                                |  | 48                             | 6,555                        |
| Interest and Dividends Receivable                        |  | 223                            |                              |
| Due from Other Funds                                     |  | 28                             |                              |
| Due from Other Governments                               |  |                                |                              |
| Loans, Notes, and Bonds Receivable                       | 15   | 1,224                          |                              |
| <b>Total Current Assets</b>                              | <b>180</b>                                     | <b>4,354</b>                   | <b>190,735</b>               |
| Noncurrent Assets:                                       |  |                                |                              |
| Loans, Notes, and Bonds Receivable                       | 5  | 11,510                         |                              |
| Repossessed Property                                     |  | 1,528                          |                              |
| Investment in Projects, Partnerships,<br>or Corporations |  | 8,037                          |                              |
| Other Noncurrent Assets                                  |  | 1,240                          |                              |
| Capital Assets:  |  |                                |                              |
| Construction in Progress                                 |  |                                |                              |
| <b>Total Noncurrent Assets</b>                           | <b>5</b>                                       | <b>22,315</b>                  | <b>0</b>                     |
| <b>Total Assets</b>                                      | <b>185</b>                                     | <b>26,669</b>                  | <b>190,735</b>               |
| <b>LIABILITIES</b>                                       |  |                                |                              |
| Current Liabilities:                                     |  |                                |                              |
| Accounts Payable and Accrued Liabilities                 |  | 37                             | 4,092                        |
| Due to Other Funds                                       |  |                                | 599                          |
| Due to Other Governments                                 |  |                                | 4,759                        |
| Claims, Judgements and<br>Compensated Absences           |  | 39                             |                              |
| Other Current Liabilities                                |  |                                | 640                          |
| <b>Total Current Liabilities</b>                         | <b>0</b>                                       | <b>76</b>                      | <b>10,090</b>                |
| Noncurrent Liabilities:                                  |  |                                |                              |
| Other Noncurrent Liabilities                             |  |                                | 20                           |
| <b>Total Noncurrent Liabilities</b>                      | <b>0</b>                                       | <b>0</b>                       | <b>20</b>                    |
| <b>Total Liabilities</b>                                 | <b>0</b>                                       | <b>76</b>                      | <b>10,110</b>                |
| <b>NET ASSETS</b>  |  |                                |                              |
| Invested in Capital Assets,<br>Net of Related Debt       |  |                                |                              |
| Restricted for:  |  |                                |                              |
| Unemployment Compensation                                |  |                                | 180,625                      |
| Other Purposes   | 185  |                                |                              |
| Unrestricted   |  | 26,593                         |                              |
| <b>Total Net Assets</b>                                  | <b>\$ 185</b>                                  | <b>\$ 26,593</b>               | <b>\$ 180,625</b>            |



STATEMENT 4.31

| Alaska<br>Clean Water | Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Total Other<br>Agencies<br>Enterprise Funds |
|-----------------------|--------------------------|--|---|
| \$ 71,552             | \$ 14,144                | \$                                       | \$ 272,872                                  |
|                       |                          |  | 6,603                                       |
| 1,219                 | 389                      |  | 1,831                                       |
| 71                    | 56                       |  | 155   |
| 44                    | 66                       | 358                                      | 468   |
| 8,222                 | 1,006                    |  | 10,467                                      |
| 81,108                | 15,661                   | 358                                      | 292,396                                     |
| 96,535                | 36,825                   |  | 144,875                                     |
|                       |                          |  | 1,528                                       |
|                       |                          |  | 8,037                                       |
|                       |                          |  | 1,240                                       |
|                       |                          | 2,185                                    | 2,185                                       |
| 96,535                | 36,825                   | 2,185                                    | 157,865                                     |
| 177,643               | 52,486                   | 2,543                                    | 450,261                                     |
| 2                     |                          |  | 4,131                                       |
|                       |                          | 358                                      | 957   |
|                       |                          |  | 4,759                                       |
|                       |                          |  | 39  |
|                       |                          |  | 640   |
| 2                     | 0                        | 358                                      | 10,526                                      |
|                       |                          |  | 20  |
| 0                     | 0                        | 0  | 20  |
| 2                     | 0                        | 358                                      | 10,546                                      |
|                       |                          | 2,185                                    | 2,185                                       |
| 177,641               | 52,486                   |  | 180,625                                     |
|                       |                          |  | 230,312                                     |
|                       |                          |  | 26,593                                      |
| \$ 177,641            | \$ 52,486                | \$ 2,185                                 | \$ 439,715                                  |

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Other Agencies Enterprise Funds  
 For the Fiscal Year Ended June 30, 2004  
 (Stated in Thousands)

|   | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Unemployment<br>Compensation |
|---|--|--------------------------------|------------------------------|
| <b>OPERATING REVENUES</b>                         |  |                                |                              |
| Premiums and Contributions                        | \$   | \$                             | \$ 160,762                   |
| Charges for Goods and Services                    |  | 4                              |                              |
| Interest and Investment Income                    |  | 758                            |                              |
| Fines and Forfeitures                             |  | 7                              |                              |
| Federal Grants in Aid                             |  |                                |                              |
| Total Operating Revenues                          | <u>0</u>                                       | <u>769</u>                     | <u>160,762</u>               |
| <b>OPERATING EXPENSES</b>                         |  |                                |                              |
| Benefits  |  |                                | 185,342                      |
| Operating   | 3  | 338                            |                              |
| Depreciation                                      |  | 90                             |                              |
| Provision for Loan Losses and Forgiveness         |  | 455                            |                              |
| Other Operating Expenses                          |  |                                |                              |
| Total Operating Expenses                          | <u>3</u>                                       | <u>883</u>                     | <u>185,342</u>               |
| Operating Income (Loss)                           | <u>(3)</u>                                     | <u>(114)</u>                   | <u>(24,580)</u>              |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |  |                                |                              |
| Interest and Investment Income                    | 1  | 10                             | 11,114                       |
| Interest and Investment Expense                   |  | (7)                            |                              |
| Other Nonoperating Revenues (Expenses)            |  | 7                              |                              |
| Total Nonoperating Revenues (Expenses)            | <u>1</u>                                       | <u>10</u>                      | <u>11,114</u>                |
| Income Before Capital Contributions and Transfers | <u>(2)</u>                                     | <u>(104)</u>                   | <u>(13,466)</u>              |
| Capital Contributions                             |  |                                |                              |
| Transfers In from Other Funds                     |  | 130                            |                              |
| Transfers (Out to) Other Funds                    |  | (1,437)                        | (2,138)                      |
| Change in Net Assets                              | (2)  | (1,411)                        | (15,604)                     |
| Total Net Assets - Beginning of Year              | 187  | 28,004                         | 200,157                      |
| Prior Period Adjustment                           |  |                                | (3,928)                      |
| Total Net Assets - End of Year                    | <u>\$ 185</u>                                  | <u>\$ 26,593</u>               | <u>\$ 180,625</u>            |

STATEMENT 4.32

| Alaska<br>Clean Water | Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Total Other<br>Agencies<br>Enterprise Funds |
|-----------------------|--------------------------|--|---|
| \$                    | \$                       | \$                                       | \$  |
| 383                   | 106                      |  | 160,762                                     |
| 1,601                 | 481                      |  | 493   |
|                       |                          |  | 2,840                                       |
|                       |                          |  | 7   |
| 342                   | 478                      | 1,621                                    | 2,441                                       |
| 2,326                 | 1,065                    | 1,621                                    | 166,543                                     |
|                       |                          |  | 185,342                                     |
| 317                   | 382                      | 77                                       | 1,117                                       |
|                       |                          |  | 90  |
|                       |                          |  | 455   |
| 86                    | 96                       |  | 182   |
| 403                   | 478                      | 77                                       | 187,186                                     |
| 1,923                 | 587                      | 1,544                                    | (20,643)                                    |
|                       |                          |  | 11,906                                      |
| 646                   | 135                      |  | (10)  |
| (2)                   | (1)                      |  | 7   |
| 644                   | 134                      | 0  | 11,903                                      |
| 2,567                 | 721                      | 1,544                                    | (8,740)                                     |
| 17,193                | 10,525                   | 562                                      | 28,280                                      |
|                       | 600                      | 79                                       | 809   |
|                       |                          |  | (3,575)                                     |
| 19,760                | 11,846                   | 2,185                                    | 16,774                                      |
| 157,881               | 40,640                   |  | 426,869                                     |
|                       |                          |  | (3,928)                                     |
| \$ 177,641            | \$ 52,486                | \$ 2,185                                 | \$ 439,715                                  |

STATE OF ALASKA  
**Combining Statement of Cash Flows**  
**Other Agencies Enterprise Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

STATEMENT 4.33

|   | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Unemployment<br>Compensation |
|---|--|--------------------------------|------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                                |                              |
| Receipts from Other Governments   | \$   | \$                             | \$ 15                        |
| Receipts of Principal from Loan Recipients  | 7  | 2,265                          |                              |
| Receipt of Interest and Fees from Loan Recipients   |  | 635                            |                              |
| Receipts from Insured   |  |                                | 159,964                      |
| Payments to Employees   |  | (123)                          |                              |
| Payments to Suppliers   |  |                                |                              |
| Payments to Other Governments   |  |                                | (913)                        |
| Payments to Loan Recipients   | (24)   | (2,540)                        |                              |
| Claims Paid   |  |                                | (186,604)                    |
| Interfund Services Used   | (3)  |                                |                              |
| Other Receipts  |  | 10                             |                              |
| Other Payments  |  | (296)                          | 61                           |
| Net Cash Provided (Used) by Operating Activities  | <u>(20)</u>                                    | <u>(49)</u>                    | <u>(27,477)</u>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |  |                                |                              |
| Operating Subsidies and Transfers (Out to) Other Funds  |  | (1,437)                        | (2,138)                      |
| Operating Subsidies and Transfers In from Other Funds   |  | 130                            |                              |
| 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>(1,307)</u>                 | <u>(2,138)</u>               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                                |                              |
| Interest and Dividends on Investments   | 1  |                                | 11,114                       |
| Net Cash Provided (Used) by Investing Activities  | 1  | 0                              | 11,114                       |
| Net Increase (Decrease) in Cash   | (19)   | (1,356)                        | (18,501)                     |
| Cash and Cash Equivalents - Beginning of Year   | 184  | 4,187                          | 202,681                      |
| Cash and Cash Equivalents - End of Year   | <u>\$ 165</u>                                  | <u>\$ 2,831</u>                | <u>\$ 184,180</u>            |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |  |                                |                              |
| Operating Income (Loss)   | \$ (3)   | \$ (114)                       | \$ (24,580)                  |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |  |                                |                              |
| Depreciation and Amortization   |  | 90                             |                              |
| Other Reconciling Items   |  | (80)                           |                              |
| Net Changes in Assets and Liabilities:  |  |                                |                              |
| Accounts Receivable - Net   |  | (19)                           | (1,211)                      |
| Due From Other Funds  |  | (28)                           |                              |
| Due From Other Governments  |  |                                | 15                           |
| Loans, Notes and Bonds Receivable - Net   | (16)   | (183)                          |                              |
| Repossessed Property  |  | 90                             |                              |
| Investment in Projects, Partnerships, or Corporations   |  | 25                             |                              |
| Interest and Dividends Receivable - Net   |  | 26                             |                              |
| Other Assets  |  | 282                            |                              |
| Due to Other Funds  | (1)  | (94)                           | (174)                        |
| Due to Other Governments  |  |                                | (678)                        |
| Accounts Payable and Accrued Liabilities  |  | (76)                           | (1,262)                      |
| Other Liabilities   |  | 32                             | 413                          |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (20)</u>                                 | <u>\$ (49)</u>                 | <u>\$ (27,477)</u>           |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |  |                                |                              |
| Total Cash and Investments per the Statement of Net Assets  | \$ 165   | \$ 2,831                       | \$ 184,180                   |
| Cash, End of Year   | <u>\$ 165</u>                                  | <u>\$ 2,831</u>                | <u>\$ 184,180</u>            |
| <b>Noncash investing, Capital, and Financing Activities:</b>  |  |                                |                              |
| Contributed Capital Assets  |  |                                |                              |

STATEMENT 4.33

| Alaska<br>Clean Water | Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Total Other<br>Agencies<br>Enterprise Funds |
|-----------------------|--------------------------|--|---|
| \$ 317                | \$ 441                   | \$                                       | \$ 773                                      |
| 8,443                 | 981                      |  | 11,696                                      |
| 2,047                 | 525                      |  | 3,207                                       |
|                       |                          |  | 159,964                                     |
| (317)                 | (382)                    |  | (822)                                       |
| (87)                  | (96)                     |  | (183)                                       |
|                       |                          |  | (913)                                       |
| (20,629)              | (12,821)                 |  | (36,014)                                    |
|                       |                          |  | (186,604)                                   |
|                       |                          |  | (3)   |
| 63                    | 41                       |  | 114   |
|                       |                          | (79)                                     | (314)                                       |
| (10,163)              | (11,311)                 | (79)                                     | (49,099)                                    |
|                       |                          |  | (3,575)                                     |
|                       | 600                      | 79                                       | 809   |
| 17,193                | 10,525                   |  | 27,718                                      |
| 1,620                 | 1,020                    |  | 2,640                                       |
| (1,620)               | (1,020)                  |  | (2,640)                                     |
| (2)                   | (1)                      |  | (3)   |
| 17,191                | 11,124                   | 79                                       | 24,949                                      |
| 646                   | 135                      |  | 11,896                                      |
| 646                   | 135                      | 0  | 11,896                                      |
| 7,674                 | (52)                     | 0  | (12,254)                                    |
| 63,878                | 14,196                   |  | 285,126                                     |
| \$ 71,552             | \$ 14,144                | \$ 0                                     | \$ 272,872                                  |
| \$ 1,923              | \$ 587                   | \$ 1,544                                 | \$ (20,643)                                 |
|                       |                          |  | 90  |
|                       |                          |  | (80)  |
|                       |                          |  | (1,230)                                     |
| 63                    | 41                       |  | 76  |
| (25)                  | (37)                     | (358)                                    | (405)                                       |
| (12,188)              | (11,831)                 |  | (24,218)                                    |
|                       |                          |  | 90  |
|                       |                          |  | 25  |
| 62                    | (63)                     |  | 25  |
|                       |                          | (1,623)                                  | (1,341)                                     |
|                       |                          | 358                                      | 89  |
|                       |                          |  | (678)                                       |
| 2                     | (8)                      |  | (1,344)                                     |
|                       |                          |  | 445   |
| \$ (10,163)           | \$ (11,311)              | \$ (79)                                  | \$ (49,099)                                 |
| \$ 71,552             | \$ 14,144                | \$ 0                                     | \$ 272,872                                  |
| \$ 71,552             | \$ 14,144                | \$ 0                                     | \$ 272,872                                  |



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# Internal Service Funds

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Internal service funds account for the operations of state agencies which render services to other state agencies, institutions, or other governmental units on a cost-reimbursement basis. The following are the state's internal service funds.

- Alaska Public Building Fund (Fund 11165) – AS 37.05.570 – Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of eight (8) state owned buildings. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- Correctional Industries Fund (Fund 22654) – AS 33.32.020 – Administered by the Department of Corrections. The fund accounts for correctional industries program activities which include a commercial laundry service and a furniture manufacturing enterprise. The correctional industries program provides employment for inmates at several of the state's correctional institutions. All expenses of the correctional industries program may be financed from the correctional industries fund and budgeted in accordance with the executive budget.
- Group Health and Life Benefits Fund (Fund 11135) – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the state began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- Highways Equipment Working Capital Fund (Fund 22600) – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- Information Services Fund (Fund 22500) – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the state's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.



**STATE OF ALASKA**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2004**  
**(Stated in Thousands)**

**STATEMENT 4.41**

|  | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|--|-----------------------------------|---------------------------|
| <b>ASSETS</b>                                      |                                   |                           |
| Current Assets:                                    |                                   |                           |
| Cash and Investments                               | \$ 19,582                         | \$ 9,248                  |
| Accounts Receivable - Net                          | 43                                |                           |
| Due from Other Funds                               |                                   |                           |
| Due from Component Units                           |                                   |                           |
| Due from Other Governments                         |                                   |                           |
| Inventories  |                                   |                           |
| Other Current Assets                               |                                   | 274                       |
| Total Current Assets                               | <u>19,625</u>                     | <u>9,522</u>              |
| Noncurrent Assets:                                 |                                   |                           |
| Capital Assets:                                    |                                   |                           |
| Equipment, Net of Depreciation                     |                                   | 7                         |
| Buildings, Net of Depreciation                     |                                   | 34,627                    |
| Total Noncurrent Assets                            | <u>0</u>                          | <u>34,634</u>             |
| Total Assets                                       | <u>19,625</u>                     | <u>44,156</u>             |
| <b>LIABILITIES</b>                                 |                                   |                           |
| Current Liabilities:                               |                                   |                           |
| Accounts Payable and Accrued Liabilities           | 8,778                             | 313                       |
| Due to Other Funds                                 | 15                                | 667                       |
| Interest Payable                                   |                                   |                           |
| Claims, Judgments, and                             |                                   |                           |
| Compensated Absences                               | 13                                | 66                        |
| Notes, Bonds, and Leases Payable                   |                                   |                           |
| Total Current Liabilities                          | <u>8,806</u>                      | <u>1,046</u>              |
| Noncurrent Liabilities:                            |                                   |                           |
| Notes, Bonds, and Leases Payable                   |                                   |                           |
| Total Liabilities                                  | <u>8,806</u>                      | <u>1,046</u>              |
| <b>NET ASSETS</b>                                  |                                   |                           |
| Invested in Capital Assets,<br>Net of Related Debt |                                   | 34,634                    |
| Unrestricted                                       | 10,819                            | 8,476                     |
| Total Net Assets                                   | <u>\$ 10,819</u>                  | <u>\$ 43,110</u>          |



STATEMENT 4.41

| Information Services | Highways Equipment Working Capital | Correctional Industries | Total Internal Service Funds |
|----------------------|------------------------------------|-------------------------|------------------------------|
| \$ 5,161             | \$ 7,012                           | \$ 66                   | \$ 41,069                    |
| 245                  | 305                                | 87                      | 680                          |
| 3,373                | 4,507                              | 963                     | 8,843                        |
|                      |                                    | 5                       | 5                            |
| 5                    |                                    |                         | 5                            |
| 224                  | 2,526                              | 633                     | 3,383                        |
| 1,089                |                                    |                         | 1,363                        |
| 10,097               | 14,350                             | 1,754                   | 55,348                       |
|                      |                                    |                         |                              |
| 8,768                | 78,815                             | 146                     | 87,736                       |
|                      | 180                                | 729                     | 35,536                       |
| 8,768                | 78,995                             | 875                     | 123,272                      |
| 18,865               | 93,345                             | 2,629                   | 178,620                      |
|                      |                                    |                         |                              |
| 2,983                | 1,165                              | 174                     | 13,413                       |
|                      |                                    |                         | 682                          |
|                      | 44                                 |                         | 44                           |
| 1,130                | 2,202                              | 151                     | 3,562                        |
| 829                  | 1,902                              |                         | 2,731                        |
| 4,942                | 5,313                              | 325                     | 20,432                       |
|                      |                                    |                         |                              |
| 490                  | 1,485                              |                         | 1,975                        |
| 5,432                | 6,798                              | 325                     | 22,407                       |
|                      |                                    |                         |                              |
| 7,449                | 75,608                             | 875                     | 118,566                      |
| 5,984                | 10,939                             | 1,429                   | 37,647                       |
| \$ 13,433            | \$ 86,547                          | \$ 2,304                | \$ 156,213                   |

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

**STATEMENT 4.42**

|   | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|---|-----------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                         |                                   |                           |
| Premiums and Contributions                        | \$ 56,711                         | \$                        |
| Charges for Goods and Services                    |                                   | 8,322                     |
| Other Operating Revenues                          | 365                               | 3                         |
| Total Operating Revenues                          | <u>57,076</u>                     | <u>8,325</u>              |
| <b>OPERATING EXPENSES</b>                         |                                   |                           |
| Benefits  | 52,207                            |                           |
| Operating   | 2,824                             | 5,742                     |
| Depreciation                                      |                                   | 1,945                     |
| Total Operating Expenses                          | <u>55,031</u>                     | <u>7,687</u>              |
| Operating Income (Loss)                           | <u>2,045</u>                      | <u>638</u>                |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                                   |                           |
| Interest and Investment Income                    | 189                               | 45                        |
| Interest and Investment Expense                   |                                   |                           |
| Gain (Loss) on Disposal of Capital Assets         |                                   |                           |
| Other Nonoperating Revenues (Expenses)            |                                   |                           |
| Total Nonoperating Revenues (Expenses)            | <u>189</u>                        | <u>45</u>                 |
| Income Before Capital Contributions and Transfers | <u>2,234</u>                      | <u>683</u>                |
| Capital Contributions                             |                                   |                           |
| Transfers In from Other Funds                     |                                   | 219                       |
| Transfers (Out to) Other Funds                    |                                   | (2,719)                   |
| Change in Net Assets                              | <u>2,234</u>                      | <u>(1,817)</u>            |
| Total Net Assets - Beginning of Year              | 8,585                             | 39,997                    |
| Prior Period Adjustment                           |                                   | 4,930                     |
| Total Net Assets - End of Year                    | <u>\$ 10,819</u>                  | <u>\$ 43,110</u>          |

STATEMENT 4.42

| Information Services | Highways Equipment Working Capital | Correctional Industries | Total Internal Service Funds |
|----------------------|------------------------------------|-------------------------|------------------------------|
| \$ 23,400            | \$ 36,629                          | \$ 2,727                | \$ 56,711                    |
|                      |                                    | 3                       | 71,078                       |
| 23,400               | 36,629                             | 2,730                   | 371                          |
|                      |                                    |                         | 128,160                      |
|                      |                                    |                         | 52,207                       |
| 25,610               | 23,238                             | 3,396                   | 60,810                       |
| 2,367                | 11,141                             | 50                      | 15,503                       |
| 27,977               | 34,379                             | 3,446                   | 128,520                      |
| (4,577)              | 2,250                              | (716)                   | (360)                        |
|                      |                                    |                         | 234                          |
| (112)                | (208)                              |                         | (320)                        |
|                      | 194                                |                         | 194                          |
|                      | 52                                 |                         | 52                           |
| (112)                | 38                                 | 0                       | 160                          |
| (4,689)              | 2,288                              | (716)                   | (200)                        |
|                      | 1,301                              |                         | 1,301                        |
| 3,447                |                                    | 975                     | 4,641                        |
|                      |                                    | (130)                   | (2,849)                      |
| (1,242)              | 3,589                              | 129                     | 2,893                        |
| 14,675               | 82,958                             | 2,175                   | 148,390                      |
|                      |                                    |                         | 4,930                        |
| \$ 13,433            | \$ 86,547                          | \$ 2,304                | \$ 156,213                   |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2004  
(Stated in Thousands)

STATEMENT 4.43

|   | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|---|-----------------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                   |                           |
| Receipts from Other Governments   | \$                                | \$                        |
| Receipts from Customers   |                                   | 8,322                     |
| Receipts from Insured   | 56,720                            |                           |
| Payments to Employees   | (117)                             | (827)                     |
| Payments to Suppliers   | (2,668)                           | (4,915)                   |
| Claims Paid   | (50,714)                          |                           |
| Other Receipts  | 365                               | 4                         |
| Other Payments  |                                   | (371)                     |
| Net Cash Provided (Used) by Operating Activities  | <u>3,586</u>                      | <u>2,213</u>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                                   |                           |
| Operating Subsidies and Transfers (Out to) Other Funds  |                                   | (2,719)                   |
| Operating Subsidies and Transfers In from Other Funds   |                                   | 1,290                     |
| Net Cash Provided (Used) by Noncapital Financing Activities   | <u>0</u>                          | <u>(1,429)</u>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |                                   |                           |
| Proceeds from Sale of Capital Assets  |                                   |                           |
| Acquisition and Construction of Capital Assets  |                                   | (1,676)                   |
| Principal Paid on Capital Debt  |                                   |                           |
| Interest and Fees Paid on Capital Debt  |                                   |                           |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                  | <u>0</u>                          | <u>(1,676)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                   |                           |
| Interest and Dividends on Investments   | 189                               | 45                        |
| Net Cash Provided (Used) by Investing Activities  | <u>189</u>                        | <u>45</u>                 |
| Net Increase (Decrease) in Cash   | 3,775                             | (847)                     |
| Cash and Cash Equivalents - Beginning of Year   | 15,807                            | 10,095                    |
| Cash and Cash Equivalents - End of Year   | <u>\$ 19,582</u>                  | <u>\$ 9,248</u>           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                                   |                           |
| Operating Income (Loss)   | \$ 2,045                          | \$ 638                    |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:        |                                   |                           |
| Depreciation and Amortization   |                                   | 1,945                     |
| Net Changes in Assets and Liabilities:  |                                   |                           |
| Accounts Receivable - Net   | 9                                 |                           |
| Due From Other Funds  |                                   |                           |
| Due From Component Units  |                                   |                           |
| Due From Other Governments  |                                   |                           |
| Inventories   |                                   |                           |
| Other Assets  |                                   | (273)                     |
| Due to Other Funds  | (43)                              | 122                       |
| Accounts Payable and Accrued Liabilities  | 1,575                             | (219)                     |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 3,586</u>                   | <u>\$ 2,213</u>           |
| <b>Reconciliation of Cash to the Statement of Net Assets:</b>   |                                   |                           |
| Total Cash and Investments per the Statement of Net Assets  | \$ 19,582                         | \$ 9,248                  |
| Cash, End of Year   | <u>\$ 19,582</u>                  | <u>\$ 9,248</u>           |
| <b>Noncash Investing, Capital, and Financing Activities:</b>  |                                   |                           |
| Contributed Capital Assets  |                                   |                           |
| Acquisition of Capital Assets through Capital Lease   |                                   |                           |

STATEMENT 4.43

| Information Services | Highways Equipment Working Capital | Correctional Industries | Total Internal Service Funds |
|----------------------|------------------------------------|-------------------------|------------------------------|
| \$ 170               | \$                                 | \$                      | \$ 170                       |
| 24,213               | 35,246                             | 1,881                   | 69,662                       |
|                      |                                    |                         | 56,720                       |
| (7,481)              | (12,134)                           | (794)                   | (21,353)                     |
| (15,589)             | (8,823)                            | (2,373)                 | (34,368)                     |
|                      |                                    |                         | (50,714)                     |
|                      |                                    | 3                       | 372                          |
|                      | (1,885)                            |                         | (2,256)                      |
| 1,313                | 12,404                             | (1,283)                 | 18,233                       |
|                      |                                    | (130)                   | (2,849)                      |
| 3,447                |                                    | 975                     | 5,712                        |
| 3,447                | 0                                  | 845                     | 2,863                        |
|                      | 1,158                              |                         | 1,158                        |
| (1,953)              | (10,705)                           |                         | (14,334)                     |
| (1,127)              | (1,347)                            |                         | (2,474)                      |
| (112)                | (185)                              |                         | (297)                        |
| (3,192)              | (11,079)                           | 0                       | (15,947)                     |
|                      |                                    |                         | 234                          |
| 0                    | 0                                  | 0                       | 234                          |
| 1,568                | 1,325                              | (438)                   | 5,383                        |
| 3,593                | 5,687                              | 504                     | 35,686                       |
| \$ 5,161             | \$ 7,012                           | \$ 66                   | \$ 41,069                    |
|                      |                                    |                         |                              |
| \$ (4,577)           | \$ 2,250                           | \$ (716)                | \$ (360)                     |
| 2,367                | 11,141                             | 50                      | 15,503                       |
| 3,314                | (261)                              | (88)                    | 2,974                        |
| (2,376)              | (1,122)                            | (756)                   | (4,254)                      |
| 42                   |                                    | (2)                     | 40                           |
| 3                    |                                    |                         | 3                            |
|                      | 119                                | 366                     | 485                          |
| 4                    |                                    |                         | (269)                        |
|                      |                                    |                         | 79                           |
| 2,536                | 277                                | (137)                   | 4,032                        |
| \$ 1,313             | \$ 12,404                          | \$ (1,283)              | \$ 18,233                    |
|                      |                                    |                         |                              |
| \$ 5,161             | \$ 7,012                           | \$ 66                   | \$ 41,069                    |
| \$ 5,161             | \$ 7,012                           | \$ 66                   | \$ 41,069                    |
|                      | 1,301                              |                         | 1,301                        |
| 1,144                |                                    |                         | 1,144                        |



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# Fiduciary Funds

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Trust and agency funds are fiduciary in nature and are maintained to account for assets held by the state acting in the capacity as a trustee or agent. The following are the state's trust and agency funds.

## PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

- Alaska National Guard and Alaska Naval Militia Retirement System (Fund 35030) – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- Deferred Compensation (Fund 32014) – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the state's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- Judicial Retirement System (Fund 35025) – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- Public Employees' Retirement System (Fund 35010) – AS 39.35.020 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- Retiree Health (Fund 11159) – AS 26.05.020, AS 22.25.048, AS 39.35.020, AS 14.25.010 – Administered by the Department of Administration. The state began a self-insurance program to provide health care coverage for retirees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for retirees and accounts for transactions pertaining to the self-insurance program.
- Supplemental Benefits System (Fund 35041) – AS 39.30.150 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Supplemental Benefits System.
- Teachers' Retirement System (Fund 35020) – AS 14.25.010 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Teachers' Retirement System.

## AGENCY FUNDS

- Deposits, Suspense, and Miscellaneous (Fund 32005) – Administered by the Department of Administration. This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds, or until there is a proper authorization to disburse them directly to others.
- Exxon Valdez Oil Spill Investment Trust Fund (Fund 32025) – PL 106-113 – Administered by the Exxon Valdez Oil Spill (EVOS) Trustee Council. Consists of assets of a joint federal/state trust fund established to receive, hold, disburse and manage all natural resource damage recoveries obtained by the United States government and the State of Alaska under the Clean Water Act, arising out of the Exxon Valdez oil spill.
- Impact Aid PL 103-382 (Fund 32017) – 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.

STATE OF ALASKA  
 Combining Statement of Fiduciary Net Assets  
 Pension and Other Employee Benefit Trust Funds  
 June 30, 2004  
 (Stated in Thousands)

STATEMENT 5.01

|   | Retiree Health | Deferred<br>Compensation | Supplemental<br>Benefits |
|---|----------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |                |                          |                          |
| Cash and Cash Equivalents                         | \$ 52,249      | \$ 8,150                 | \$ 991                   |
| Investments                                       | 166,522        | 402,698                  | 1,846,865                |
| Investment Loss Trust Fund Assets                 |                |                          | 1,605                    |
| Contributions Receivable                          | 140            | 1,551                    | 5,144                    |
| Other Assets                                      |                |                          |                          |
| Total Assets                                      | 218,911        | 412,399                  | 1,854,605                |
| <b>LIABILITIES</b>                                |                |                          |                          |
| Accounts Payable and Accrued Liabilities          | 43,962         |                          | 2,276                    |
| Due to Other Funds                                | 991            |                          |                          |
| Due to Others                                     |                |                          |                          |
| Total Liabilities                                 | 44,953         | 0                        | 2,276                    |
| <b>NET ASSETS</b>                                 |                |                          |                          |
| Held in Trust for:                                |                |                          |                          |
| Pension Benefits                                  |                |                          |                          |
| Postemployment Healthcare Benefits                | 173,958        |                          |                          |
| Individuals, Organizations, and Other Governments |                | 412,399                  | 1,852,329                |
| Total Net Assets                                  | \$ 173,958     | \$ 412,399               | \$ 1,852,329             |



STATEMENT 5.01

| Public<br>Employees'<br>Retirement | Teachers'<br>Retirement | Judicial<br>Retirement | Alaska National<br>Guard and Alaska<br>Naval Militia<br>Retirement | Total Pension<br>and Other<br>Employee Benefit<br>Trust Funds |
|------------------------------------|-------------------------|------------------------|--|---|
| \$ 511                             | \$ 523                  | \$ 50                  | \$ 26  | \$ 62,500   |
| 8,174,982                          | 3,908,367               | 70,377                 | 13,447   | 14,583,258  |
|                                    |                         |                        |  | 1,605   |
| 9,191                              | 5,952                   | 92                     |  | 22,070  |
| 7                                  |                         |                        |  | 7   |
| <u>8,184,691</u>                   | <u>3,914,842</u>        | <u>70,519</u>          | <u>13,473</u>  | <u>14,669,440</u>   |
|                                    |                         |                        |  |   |
| 7,281                              | 3,288                   | 59                     | 75   | 56,941  |
| 102                                | 39                      | 4                      | 7  | 1,143   |
| 2                                  |                         |                        |  | 2   |
| <u>7,385</u>                       | <u>3,327</u>            | <u>63</u>              | <u>82</u>  | <u>58,086</u>   |
|                                    |                         |                        |  |   |
| 5,880,443                          | 3,164,807               | 68,652                 | 13,391   | 9,127,293   |
| 2,296,863                          | 746,708                 | 1,804                  |  | 3,219,333   |
|                                    |                         |                        |  | 2,264,728   |
| <u>\$ 8,177,306</u>                | <u>\$ 3,911,515</u>     | <u>\$ 70,456</u>       | <u>\$ 13,391</u>   | <u>\$ 14,611,354</u>  |

Combining Statement of Changes in Fiduciary Net Assets  
Pension and Other Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2004  
(Stated in Thousands)

|   | Retiree Health    | Deferred<br>Compensation | Supplemental<br>Benefits |
|---|-------------------|--------------------------|--------------------------|
| <b>ADDITIONS</b>  |                   |                          |                          |
| Premiums and Contributions:                                 |                   |                          |                          |
| Employer  | \$ 243,901        | \$ 30,383                | \$ 52,643                |
| Member  | 32,566            | 30,383                   | 57,354                   |
| Other   | 2,890             |                          |                          |
| Total Premiums and Contributions                            | <u>279,357</u>    | <u>30,383</u>            | <u>109,997</u>           |
| Investment Income:  |                   |                          |                          |
| Net Appreciation (Depreciation) in Fair                     |                   |                          |                          |
| Value of Investments  | 3,989             | 55,847                   | 288,913                  |
| Interest  | 5,581             | 5,281                    | 39                       |
| Dividends   | 976               |                          |                          |
| Total Investment Income                                     | 10,546            | 61,128                   | 288,952                  |
| Less Investment Expense                                     | 60                |                          |                          |
| Net Investment Income                                       | <u>10,486</u>     | <u>61,128</u>            | <u>288,952</u>           |
| Other Additions   |                   |                          |                          |
| Total Additions   | <u>289,843</u>    | <u>91,511</u>            | <u>398,949</u>           |
| <b>DEDUCTIONS</b>   |                   |                          |                          |
| Benefits Paid   | 230,478           | 26,708                   | 114,409                  |
| Insurance Premiums  |                   |                          | 4,754                    |
| Refunds of Premiums and Contributions                       |                   |                          |                          |
| Administrative Expenses                                     | 10,278            | 711                      | 2,656                    |
| Total Deductions  | <u>240,756</u>    | <u>27,419</u>            | <u>121,819</u>           |
| <b>OTHER FINANCING SOURCES (USES):</b>                      |                   |                          |                          |
| Transfers in from Other Funds                               |                   |                          |                          |
| Transfers (Out to) Other Funds                              | (20,000)          |                          |                          |
| Total Other Financing Sources and Uses                      | <u>(20,000)</u>   | <u>0</u>                 | <u>0</u>                 |
| Net Increase (Decrease) in Net Assets Held in<br>Trust for: |                   |                          |                          |
| Pension Benefits  |                   |                          |                          |
| Postemployment Healthcare Benefits                          | 29,087            |                          |                          |
| Individuals, Organizations, and Other Governments           |                   | 64,092                   | 277,130                  |
| Net Assets - Beginning of the Year                          | 144,871           | 348,307                  | 1,575,005                |
| Prior Period Adjustment                                     |                   |                          | 194                      |
| Net Assets - End of the Year                                | <u>\$ 173,958</u> | <u>\$ 412,399</u>        | <u>\$ 1,852,329</u>      |

STATEMENT 5.02

| Public Employees' Retirement | Teachers' Retirement | Judicial Retirement | Alaska National Guard and Alaska Naval Militia Retirement | Total Pension and Other Employee Benefit Trust Funds |
|------------------------------|----------------------|---------------------|---|--|
| \$ 105,585                   | \$ 68,692            | \$ 1,787            | \$ 1,322  | \$ 473,930   |
| 118,554                      | 57,365               | 346                 |   | 296,568  |
| 224,139                      | 126,057              | 2,133               | 1,322   | 773,388  |
| 841,663                      | 407,002              | 7,386               | 765   | 1,605,565  |
| 118,038                      | 56,760               | 896                 | 384   | 186,979  |
| 124,007                      | 59,549               | 1,107               | 99  | 185,738  |
| 1,083,708                    | 523,311              | 9,389               | 1,248   | 1,978,282  |
| 19,103                       | 9,347                | 188                 | 58  | 28,756   |
| 1,064,605                    | 513,964              | 9,201               | 1,190   | 1,949,526  |
| 152                          | 77                   | 0                   |   | 229  |
| 1,288,896                    | 640,098              | 11,334              | 2,512   | 2,723,143  |
| 496,750                      | 331,010              | 4,441               | 1,609   | 1,205,405  |
|                              |                      |                     |   | 4,754  |
| 14,723                       | 4,189                |                     |   | 18,912   |
| 5,296                        | 2,203                | 28                  | 86  | 21,258   |
| 516,769                      | 337,402              | 4,469               | 1,695   | 1,250,329  |
| 13,724                       | 6,200                | 50                  |   | 19,974   |
|                              |                      |                     |   | (20,000)   |
| 13,724                       | 6,200                | 50                  | 0   | (26)   |
| 562,053                      | 247,284              | 6,775               | 817   | 816,929  |
| 223,798                      | 61,612               | 140                 |   | 314,637  |
|                              |                      |                     |   | 341,222  |
| 7,391,455                    | 3,602,619            | 63,541              | 12,574  | 13,138,372   |
|                              |                      |                     |   | 194  |
| <u>\$ 8,177,306</u>          | <u>\$ 3,911,515</u>  | <u>\$ 70,456</u>    | <u>\$ 13,391</u>  | <u>\$ 14,611,354</u>                                 |

STATE OF ALASKA  
 Combining Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2004  
 (Stated in Thousands)

STATEMENT 5.11

|  | Deposits,<br>Suspense, and<br>Miscellaneous | Wage and<br>Hour |
|--|---|------------------|
| <b>ASSETS</b>                            |   |                  |
| Cash and Cash Equivalents                | \$ 70,956                                   | \$ 54            |
| Investments                              |   |                  |
| Due from Other Funds                     | 2,236                                       |                  |
| Total Assets                             | <u>\$ 73,192</u>                            | <u>\$ 54</u>     |
| <b>LIABILITIES</b>                       |   |                  |
| Accounts Payable and Accrued Liabilities | \$ 3,240                                    | \$ 6             |
| Trust Deposits Payable                   | 69,952                                      | 47               |
| Due to Other Funds                       |   | 1                |
| Total Liabilities                        | <u>\$ 73,192</u>                            | <u>\$ 54</u>     |

STATEMENT 5.11

| Public<br>Advocacy | Exxon Valdez<br>Oil Spill<br>Investment | Impact Aid<br>PL 103-382 | Total<br>Agency<br>Funds |
|--------------------|---|--------------------------|--------------------------|
| \$ 6,727           | \$ 170,755                              | \$ 3,320                 | \$ 81,057                |
|                    |   |                          | 170,755                  |
|                    |   |                          | 2,236                    |
| <u>\$ 6,727</u>    | <u>\$ 170,755</u>                       | <u>\$ 3,320</u>          | <u>\$ 254,048</u>        |
| \$ 6,727           | \$ 170,755                              | \$ 1,391                 | \$ 4,637                 |
|                    |   | 1,929                    | 249,410                  |
|                    |   |                          | 1                        |
| <u>\$ 6,727</u>    | <u>\$ 170,755</u>                       | <u>\$ 3,320</u>          | <u>\$ 254,048</u>        |

STATE OF ALASKA  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2004  
(Stated in Thousands)

STATEMENT 5.12

|  | Balance<br>July 1, 2003 | Additions         | Deductions        | Balance<br>June 30, 2004 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| <u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u> |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 74,761               | \$ 128,869        | \$ 132,674        | \$ 70,956                |
| Accounts Receivable - Net                    | 1                       |                   | 1                 | 0                        |
| Due from Other Funds                         | 3,697                   | 2,236             | 3,697             | 2,236                    |
| Total Assets                                 | <u>\$ 78,459</u>        | <u>\$ 131,105</u> | <u>\$ 136,372</u> | <u>\$ 73,192</u>         |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities     | \$ 3,070                | \$ 89,217         | \$ 89,047         | \$ 3,240                 |
| Trust Deposits Payable                       | 75,389                  | 130,169           | 135,606           | 69,952                   |
| Total Liabilities                            | <u>\$ 78,459</u>        | <u>\$ 219,386</u> | <u>\$ 224,653</u> | <u>\$ 73,192</u>         |

|  |               |               |               |              |
|--|---------------|---------------|---------------|--------------|
| <u>WAGE AND HOUR</u>                     |               |               |               |              |
| <b>ASSETS</b>                            |               |               |               |              |
| Cash and Cash Equivalents                | \$ 273        | \$ 138        | \$ 357        | \$ 54        |
| Total Assets                             | <u>\$ 273</u> | <u>\$ 138</u> | <u>\$ 357</u> | <u>\$ 54</u> |
| <b>LIABILITIES</b>                       |               |               |               |              |
| Accounts Payable and Accrued Liabilities | \$ 24         | \$ 394        | \$ 411        | \$ 7         |
| Trust Deposits Payable                   | 249           | 185           | 388           | 46           |
| Due to Other Funds                       |               | 1             |               | 1            |
| Total Liabilities                        | <u>\$ 273</u> | <u>\$ 580</u> | <u>\$ 799</u> | <u>\$ 54</u> |

|                           |                 |                  |                  |                 |
|---------------------------|-----------------|------------------|------------------|-----------------|
| <u>PUBLIC ADVOCACY</u>    |                 |                  |                  |                 |
| <b>ASSETS</b>             |                 |                  |                  |                 |
| Cash and Cash Equivalents | \$ 7,422        | \$ 11,976        | \$ 12,671        | \$ 6,727        |
| Due from Other Funds      | 7               |                  | 7                | 0               |
| Total Assets              | <u>\$ 7,429</u> | <u>\$ 11,976</u> | <u>\$ 12,678</u> | <u>\$ 6,727</u> |
| <b>LIABILITIES</b>        |                 |                  |                  |                 |
| Trust Deposits Payable    | \$ 7,429        | \$ 2,511         | \$ 3,213         | \$ 6,727        |
| Total Liabilities         | <u>\$ 7,429</u> | <u>\$ 2,511</u>  | <u>\$ 3,213</u>  | <u>\$ 6,727</u> |

|  |                   |                  |                  |                   |
|--|-------------------|------------------|------------------|-------------------|
| <u>EXXON VALDEZ OIL SPILL INVESTMENT</u> |                   |                  |                  |                   |
| <b>ASSETS</b>                            |                   |                  |                  |                   |
| Investments                              | \$ 157,991        | \$ 24,210        | \$ 11,446        | \$ 170,755        |
| Total Assets                             | <u>\$ 157,991</u> | <u>\$ 24,210</u> | <u>\$ 11,446</u> | <u>\$ 170,755</u> |
| <b>LIABILITIES</b>                       |                   |                  |                  |                   |
| Trust Deposits Payable                   | \$ 157,969        | \$ 24,210        | \$ 11,424        | \$ 170,755        |
| Due to Other Funds                       | 22                |                  | 22               | 0                 |
| Total Liabilities                        | <u>\$ 157,991</u> | <u>\$ 24,210</u> | <u>\$ 11,446</u> | <u>\$ 170,755</u> |

STATE OF ALASKA  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Fiscal Year Ended June 30, 2004  
 (Stated in Thousands)

STATEMENT 5.12

|  | Balance<br>July 1, 2003 | Additions         | Deductions        | Balance<br>June 30, 2004 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| <u>IMPACT AID PL 103-382</u>             |                         |                   |                   |                          |
| <b>ASSETS</b>                            |                         |                   |                   |                          |
| Cash and Cash Equivalents                | \$                      | \$ 30,098         | \$ 26,778         | \$ 3,320                 |
| Total Assets                             | <u>\$ 0</u>             | <u>\$ 30,098</u>  | <u>\$ 26,778</u>  | <u>\$ 3,320</u>          |
| <b>LIABILITIES</b>                       |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities | \$                      | \$ 3,392          | \$ 2,001          | \$ 1,391                 |
| Trust Deposits Payable                   |                         | 30,098            | 28,169            | 1,929                    |
| Total Liabilities                        | <u>\$ 0</u>             | <u>\$ 33,490</u>  | <u>\$ 30,170</u>  | <u>\$ 3,320</u>          |
| <u>TOTAL AGENCY FUNDS</u>                |                         |                   |                   |                          |
| <b>ASSETS</b>                            |                         |                   |                   |                          |
| Cash and Cash Equivalents                | \$ 82,456               | \$ 171,081        | \$ 172,480        | \$ 81,057                |
| Investments                              | 157,991                 | 24,210            | 11,446            | 170,755                  |
| Accounts Receivable - Net                | 1                       |                   | 1                 | 0                        |
| Due from Other Funds                     | 3,704                   | 2,236             | 3,704             | 2,236                    |
| Total Assets                             | <u>\$ 244,152</u>       | <u>\$ 197,527</u> | <u>\$ 187,631</u> | <u>\$ 254,048</u>        |
| <b>LIABILITIES</b>                       |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities | \$ 3,094                | \$ 93,003         | \$ 91,459         | \$ 4,638                 |
| Trust Deposits Payable                   | 241,036                 | 187,173           | 178,800           | 249,409                  |
| Due to Other Funds                       | 22                      | 1                 | 22                | 1                        |
| Total Liabilities                        | <u>\$ 244,152</u>       | <u>\$ 280,177</u> | <u>\$ 270,281</u> | <u>\$ 254,048</u>        |



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# Nonmajor Component Units

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A description of the individual Component Units is contained in the notes to the financial statements, Note 1A.



STATE OF ALASKA  
Combining Statement of Net Assets  
Nonmajor Component Units  
June 30, 2004  
(Stated in Thousands)

STATEMENT 6.01

|  | Alaska Municipal<br>Bond Bank<br>Authority | Alaska<br>Student Loan<br>Corporation | Alaska<br>Railroad<br>Corporation |
|--|--|---------------------------------------|-----------------------------------|
| <b>ASSETS</b>                                      |  |                                       |                                   |
| Cash and Investments                               | \$ 50,397                                  | \$ 33,505                             | \$ 26,092                         |
| Accounts Receivable - Net                          |  |                                       | 15,544                            |
| Interest and Dividends Receivable                  | 8,152                                      | 168                                   |                                   |
| Due from Primary Government                        |  |                                       |                                   |
| Due from Component Units                           |  |                                       |                                   |
| Due from Other Governments                         |  |                                       |                                   |
| Loans, Notes, and Bonds Receivable                 | 333,688                                    |                                       |                                   |
| Inventories  |  |                                       | 9,484                             |
| Restricted Assets                                  |  | 946,899                               | 11,483                            |
| Other Assets                                       |  |                                       | 2,451                             |
| Capital Assets:                                    |  |                                       |                                   |
| Equipment, Net of Depreciation                     |  |                                       | 72,440                            |
| Buildings, Net of Depreciation                     |  |                                       | 1,528                             |
| Infrastructure, Net of Depreciation                |  |                                       | 159,849                           |
| Land   |  |                                       | 18,991                            |
| Construction in Progress                           |  |                                       | 122,260                           |
| Total Assets                                       | <u>392,237</u>                             | <u>980,572</u>                        | <u>440,122</u>                    |
| <b>LIABILITIES</b>                                 |  |                                       |                                   |
| Accounts Payable and Accrued Liabilities           | 166  | 778                                   | 18,527                            |
| Due to Primary Government                          |  | 81,089                                |                                   |
| Due to Component Units                             |  |                                       |                                   |
| Due to Other Governments                           |  |                                       |                                   |
| Interest Payable                                   | 7,681                                      | 9,742                                 |                                   |
| Other Current Liabilities                          |  | 258                                   | 1,509                             |
| Long-term Liabilities:                             |  |                                       |                                   |
| Portion Due or Payable Within One Year:            |  |                                       |                                   |
| Claims, Judgments, and<br>Compensated Absences     |  |                                       |                                   |
| Unearned and Deferred Revenue                      | 12   | 10,594                                | 3,917                             |
| Notes, Bonds, and Leases Payable                   | 24,400                                     | 87,460                                | 2,176                             |
| Other Long-term Debt                               | 5,030                                      |                                       |                                   |
| Portion Due or Payable After One Year:             |  |                                       |                                   |
| Unearned and Deferred Revenue                      |  |                                       | 242,844                           |
| Notes, Bonds, and Leases Payable                   | 309,330                                    | 538,578                               | 17,874                            |
| Other Long-term Debt                               | 6,006                                      |                                       |                                   |
| Other Noncurrent Liabilities                       |  | 597                                   | 16,062                            |
| Total Liabilities                                  | <u>352,625</u>                             | <u>729,096</u>                        | <u>302,909</u>                    |
| <b>NET ASSETS</b>                                  |  |                                       |                                   |
| Invested in Capital Assets,<br>Net of Related Debt |  |                                       | 116,728                           |
| Restricted for:                                    |  |                                       |                                   |
| Permanent Funds                                    |  |                                       |                                   |
| Nonexpendable                                      |  |                                       |                                   |
| Expendable   |  |                                       |                                   |
| Education  |  | 234,666                               |                                   |
| Debt Service                                       | 23,994                                     |                                       |                                   |
| Other Purposes                                     |  |                                       |                                   |
| Unrestricted                                       | 15,618                                     | 16,810                                | 20,485                            |
| Total Net Assets                                   | <u>\$ 39,612</u>                           | <u>\$ 251,476</u>                     | <u>\$ 137,213</u>                 |

## STATEMENT 6.01

| Alaska Energy Authority | Alaska Aerospace Development Corporation | Alaska Science and Technology Foundation | Alaska Mental Health Trust Authority | Alaska Natural Gas Development Authority | Total Nonmajor Component Units |
|-------------------------|--|--|--------------------------------------|--|--------------------------------|
| \$ 265,414              | \$ 30,719                                | \$                                       | \$ 391,585                           | \$                                       | \$ 797,712                     |
| 687                     |  |  | 1,181                                |  | 17,412                         |
| 970                     |  |  | 1,714                                |  | 11,004                         |
|                         | 1,027                                    |  |                                      | 64                                       | 1,091                          |
| 178                     |  |  |                                      |  | 178                            |
| 3,765                   | 3,956                                    |  |                                      |  | 7,721                          |
| 22,565                  |  |  | 7,415                                |  | 363,668                        |
|                         | 371                                      |  |                                      |  | 9,855                          |
|                         |  |  |                                      |  | 958,382                        |
|                         |  |  | 2                                    |  | 2,453                          |
|                         | 1,280                                    |  |                                      |  | 73,720                         |
|                         | 29,175                                   |  |                                      |  | 30,703                         |
| 281,831                 | 6,455                                    |  |                                      |  | 448,135                        |
|                         |  |  | 992                                  |  | 19,983                         |
|                         | 20,864                                   |  |                                      |  | 143,124                        |
| <u>575,410</u>          | <u>93,847</u>                            | <u>0</u>                                 | <u>402,889</u>                       | <u>64</u>                                | <u>2,885,141</u>               |
| 15,593                  | 5,301                                    |  | 16,397                               |  | 56,762                         |
| 872                     | 1,124                                    |  | 801                                  |  | 83,886                         |
| 763                     |  |  |                                      |  | 763                            |
| 4                       |  |  |                                      |  | 4                              |
| 3,452                   |  |  |                                      |  | 20,875                         |
|                         |  |  | 160                                  |  | 1,927                          |
|                         | 298                                      |  | 260                                  |  | 558                            |
|                         |  |  | 462                                  | 2  | 14,987                         |
| 5,370                   |  |  |                                      |  | 119,406                        |
|                         |  |  |                                      |  | 5,030                          |
|                         | 27,064                                   |  | 7,240                                |  | 277,148                        |
| 129,205                 |  |  |                                      |  | 994,987                        |
|                         |  |  |                                      |  | 6,006                          |
| 476                     |  |  |                                      |  | 17,135                         |
| <u>155,735</u>          | <u>33,787</u>                            | <u>0</u>                                 | <u>25,320</u>                        | <u>2</u>                                 | <u>1,599,474</u>               |
| 147,256                 | 57,774                                   |  | 992                                  |  | 322,750                        |
|                         |  |  |                                      |  | 303,759                        |
|                         |  |  |                                      |  | 72,818                         |
|                         |  |  |                                      |  | 234,666                        |
| 21,801                  |  |  |                                      |  | 45,795                         |
| 22,974                  |  |  |                                      |  | 22,974                         |
| 227,644                 | 2,286                                    |  |                                      | 62                                       | 282,905                        |
| <u>\$ 419,675</u>       | <u>\$ 60,060</u>                         | <u>\$ 0</u>                              | <u>\$ 377,569</u>                    | <u>\$ 62</u>                             | <u>\$ 1,285,667</u>            |

STATE OF ALASKA  
 Combining Statement of Activities  
 Nonmajor Component Units  
 For the Fiscal Year Ended June 30, 2004  
 (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                     | \$ 13,379         | \$   | \$                                 | \$                               |
| Alaska Student Loan Corporation                          | 115,533           | 38,658   |                                    |                                  |
| Alaska Railroad Corporation                              | 113,021           | 112,505  | 4,423                              | 10,242                           |
| Alaska Energy Authority                                  | 86,275            | 15,995   | 44,122                             | 0                                |
| Alaska Aerospace Development Corporation                 | 14,580            | 10,229   |                                    | 12,667                           |
| Alaska Mental Health Trust Authority                     | 14,877            | 11,021   | 30,610                             | 13,118                           |
| Alaska Natural Gas Development Authority                 | 286               |  | 348                                |                                  |
| Total Nonmajor Component Units                           | <u>\$ 357,951</u> | <u>\$ 188,408</u>                              | <u>\$ 79,503</u>                   | <u>\$ 36,027</u>                 |
| General Revenues:  |                   |  |                                    |                                  |
| Interest and Investment Earnings                         |                   |  |                                    |                                  |
| Net Increase (Decrease) in the Fair Value of Investments |                   |  |                                    |                                  |
| Special Items:   |                   |  |                                    |                                  |
| International Trade and Business Endowment Liquidation   |                   |  |                                    |                                  |
| Total General Revenues and Special Revenues              |                   |  |                                    |                                  |
| Change in Net Assets                                     |                   |  |                                    |                                  |
| Net Assets - Beginning of Year                           |                   |  |                                    |                                  |
| Net Assets - End of Year                                 |                   |  |                                    |                                  |

| Net (Expense) Revenue and Changes in Net Assets |  |                                   |                               |   |   |   |   |   |
|---|--|-----------------------------------|-------------------------------|---|---|---|---|---|
| Alaska<br>Municipal<br>Bond Bank<br>Authority   | Alaska<br>Student<br>Loan<br>Corporation | Alaska<br>Railroad<br>Corporation | Alaska<br>Energy<br>Authority | Alaska<br>Aerospace<br>Development<br>Corporation | Alaska<br>Science and<br>Technology<br>Foundation | Alaska<br>Mental Health<br>Trust<br>Authority | Alaska<br>Natural Gas<br>Development<br>Authority | Total<br>Nonmajor<br>Component<br>Units |
| \$ (13,379)                                     | \$ (76,875)                              | \$ 14,149                         | \$ (26,158)                   | \$ 8,316  | \$ 0  | \$ 39,872                                     | \$ 62   | \$ (13,379)                             |
|   |  |                                   |                               |   |   |   |   | (76,875)                                |
|   |  |                                   |                               |   |   |   |   | 14,149                                  |
|   |  |                                   |                               |   |   |   |   | (26,158)                                |
|   |  |                                   |                               |   |   |   |   | 8,316                                   |
|   |  |                                   |                               |   |   |   |   | 39,872                                  |
|   |  |                                   |                               |   |   |   |   | 62                                      |
| (13,379)  | (76,875)                                 | 14,149                            | (26,158)                      | 8,316   | 0   | 39,872  | 62  | (54,013)                                |
|   |  |                                   |                               |   |   |   |   | 30,833                                  |
| 11,643  | 5,318                                    | 3,637                             | 10,223                        | 12  |   |   |   | 12,523                                  |
|   |  |                                   | 12,523                        |   |   |   |   |   |
|   |  |                                   |                               |   | (4,829)   |   |   | (4,829)                                 |
| 11,643  | 5,318                                    | 3,637                             | 22,746                        | 12  | (4,829)   | 0   | 0   | 38,527                                  |
| (1,736)   | (71,557)                                 | 17,786                            | (3,412)                       | 8,328   | (4,829)   | 39,872  | 62  | (15,486)                                |
| 41,348  | 323,033                                  | 119,427                           | 423,087                       | 51,732  | 4,829   | 337,697                                       |   | 1,301,153                               |
| \$ 39,612                                       | \$ 251,476                               | \$ 137,213                        | \$ 419,675                    | \$ 60,060   | \$ 0  | \$ 377,569                                    | \$ 62   | \$ 1,285,667                            |



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# Other Supplementary Information

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## Balance Sheet

## Nonmajor Component Units Without Separately Issued Financial Statements

June 30, 2004

(Stated in Thousands)

|  | Alaska Science<br>and Technology<br>Foundation | Alaska Mental<br>Health Trust<br>Authority |
|--|--|--|
| <b>ASSETS</b>                              |  |  |
| Cash and Investments                       | \$   | \$ 391,585                                 |
| Accounts Receivable - Net                  |  | 1,181                                      |
| Interest and Dividends Receivable          |  | 1,714                                      |
| Due from Primary Government                |  |  |
| Due from Component Units                   |  |  |
| Loans, Notes, and Bonds Receivable         |  | 7,415                                      |
| Other Assets                               |  | 2  |
| <b>Total Assets</b>                        | <b>\$ 0</b>                                    | <b>\$ 401,897</b>                          |
| <b>LIABILITIES AND FUND BALANCES</b>       |  |  |
| Liabilities:                               |  |  |
| Accounts Payable and Accrued Liabilities   | \$   | \$ 16,397                                  |
| Due to Primary Government                  |  | 801  |
| Due to Component Units                     |  |  |
| Unearned and Deferred Revenue              |  | 7,702                                      |
| Other Long-term Debt                       |  | 260  |
| Other Liabilities                          |  | 160  |
| <b>Total Liabilities</b>                   | <b>0</b>                                       | <b>25,320</b>                              |
| Fund Balances:                             |  |  |
| Reserved:                                  |  |  |
| Nonexpendable Trust Corpus                 |  | 303,759                                    |
| Other Purposes                             |  | 72,818                                     |
| Unreserved:                                |  |  |
| Undesignated                               |  |  |
| <b>Total Fund Balances</b>                 | <b>0</b>                                       | <b>376,577</b>                             |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 0</b>                                    | <b>\$ 401,897</b>                          |

**Reconciliation of the Balance Sheet to the Statement of Net Assets:**

|   |                   |
|---|-------------------|
| <b>Total Fund Balances - Governmental Fund:</b> | <b>\$ 376,577</b> |
|---|-------------------|

Alaska Mental Health Trust Authority

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.

|                               |     |
|-------------------------------|-----|
| These assets consist of: Land | 992 |
|-------------------------------|-----|

|  |                   |
|--|-------------------|
| <b>Net Assets of Governmental Activities</b> | <b>\$ 377,569</b> |
|--|-------------------|



**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Component Units Without Separately Issued Financial Statements**  
**For the Fiscal Year Ended June 30, 2004**  
**(Stated in Thousands)**

|  | Alaska Science<br>and Technology<br>Foundation | Alaska Mental<br>Health Trust<br>Authority |
|--|--|--|
| <b>REVENUES</b>  |  |  |
| Charges for Services   | \$   | \$ 84                                      |
| Fines and Forfeitures  |  | 17   |
| Rents and Royalties  |  | 10,826                                     |
| Interest and Investment Income   |  | 10,872                                     |
| Net Increase (Decrease) in the Fair<br>Value of Investments  |  | 32,856                                     |
| Other Revenues   |  | 94   |
| Total Revenues   | 0  | 54,749                                     |
| <b>EXPENDITURES</b>  |  |  |
| Current:   |  |  |
| General Government   |  | 518  |
| Education  |  | 250  |
| University   |  | 50   |
| Health and Human Services  |  | 11,423                                     |
| Law and Justice  |  | 175  |
| Public Protection  |  | 434  |
| Natural Resources  |  | 1,751                                      |
| Development  |  | 270  |
| Transportation   |  | 6  |
| Total Expenditures   | 0  | 14,877                                     |
| Excess (Deficiency) of Revenues<br>Over Expenditures   | 0  | 39,872                                     |
| <b>SPECIAL ITEMS</b>   |  |  |
| International Trade and Business Endowment Liquidation   | (4,829)  |  |
| Net Change in Fund Balances  | (4,829)  | 39,872                                     |
| Fund Balances - Beginning of Year  | 4,829  | 337,697                                    |
| Prior Period Adjustment  |  | (992)                                      |
| Fund Balances - End of Year  | \$ 0   | \$ 376,577                                 |
| <b>Reconciliation of the Balance Sheet to the Statement of Net Assets:</b>   |  |  |
| <b>Total Fund Balances - Governmental Fund:</b>  |  | \$ 376,577                                 |
| Alaska Mental Health Trust Authority   |  |  |
| Amounts reported for governmental activities in the Statement of Net Assets<br>are different because:  |  |  |
| Capital assets used in governmental activities are not financial<br>resources and therefore are not reported in Governmental Funds.<br>Land, a capital asset, was included in the Net Assets reported in<br>the prior year. The adjustment to remove the Land balance<br>in the current year is reported as a Prior Period Adjustment. |  |  |
|  |  | 992  |
| <b>Change in Net Assets of Governmental Activities</b>   |  | <b>\$ 377,569</b>                          |



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# Statistical Section

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STATE OF ALASKA  
**GOVERNMENTAL EXPENDITURES BY FUNCTION**  
 Last Ten Fiscal Years  
 June 30, 2004  
 (Stated in Thousands)

TABLE 1

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Alaska Permanent Fund Dividend</u> | <u>Education</u> | <u>University</u> | <u>Health and Human Services</u> | <u>Law and Justice</u> | <u>Public Protection</u> |
|--------------------|---------------------------|---------------------------------------|------------------|-------------------|----------------------------------|------------------------|--------------------------|
| 1995               | \$ 214,945                | \$ -                                  | \$ 843,547       | \$ -              | \$ 896,398                       | \$ 447,738             | \$ -                     |
| 1996               | 216,672                   | -                                     | 832,363          | -                 | 980,166                          | 433,336                | -                        |
| 1997               | 209,207                   | -                                     | 821,375          | -                 | 1,012,349                        | 431,166                | -                        |
| 1998               | 200,392                   | -                                     | 827,794          | -                 | 1,031,507                        | 425,328                | -                        |
| 1999               | 197,154                   | -                                     | 866,346          | -                 | 1,069,948                        | 449,256                | -                        |
| 2000               | 189,026                   | -                                     | 876,890          | -                 | 1,170,063                        | 462,056                | -                        |
| 2001               | 260,488                   | -                                     | 879,584          | -                 | 1,284,018                        | 526,676                | -                        |
| 2002               | 393,579                   | 1,086,362                             | 973,716          | 1,644             | 1,404,269                        | 117,648                | 410,000                  |
| 2003               | 278,604                   | 908,676                               | 990,384          | 226,794           | 1,571,025                        | 131,359                | 459,321                  |
| 2004               | 257,207                   | 660,471                               | 1,042,702        | 246,168           | 1,707,996                        | 135,026                | 431,261                  |

NOTE: Expenditures include all governmental funds.  
 In FY 2002, function categories and funds were reclassified in conjunction with implementing GASB 34 reporting standards.

TABLE 1

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| <u>Natural Resources</u> | <u>Development</u> | <u>Transportation</u> | <u>Intergovernmental Revenue Sharing</u> | <u>Debt Service</u> | <u>Capital Outlay</u> | <u>Totals</u> |
|--------------------------|--------------------|-----------------------|--|---------------------|-----------------------|---------------|
| \$ 155,698               | \$ 48,674          | \$ 154,609            | \$ 134,314                               | \$ 22,917           | \$ 470,847            | \$ 3,389,687  |
| 157,787                  | 52,229             | 153,373               | 114,994                                  | 21,305              | 477,696               | 3,439,921     |
| 152,231                  | 39,566             | 163,569               | 108,634                                  | 16,496              | 430,677               | 3,385,270     |
| 150,547                  | 35,641             | 152,607               | 91,700                                   | 14,220              | 416,681               | 3,346,417     |
| 151,480                  | 38,336             | 155,715               | 95,448                                   | 8,839               | 479,070               | 3,511,592     |
| 144,762                  | 18,634             | 156,117               | 73,783                                   | 2,433               | 549,345               | 3,643,109     |
| 152,690                  | 19,404             | 165,551               | 82,519                                   | 4,294               | 573,691               | 3,948,915     |
| 199,032                  | 125,226            | 650,678               | 65,198                                   | 32,542              | -                     | 5,459,894     |
| 221,088                  | 145,242            | 737,768               | 65,743                                   | 36,439              | -                     | 5,772,443     |
| 227,132                  | 132,452            | 764,003               | 52,259                                   | 49,937              | -                     | 5,706,614     |

STATE OF ALASKA  
 AVAILABLE FUND BALANCE  
 GENERAL FUND  
 Fiscal Years 1959 - 2004  
 June 30, 2004  
 (Stated in Thousands)

TABLE 2

| Fiscal<br>Year | Available<br>Fund Balance |
|----------------|---------------------------|
| 1959           | \$ 4,211                  |
| 1960           | 10,804                    |
| 1961           | 9,761                     |
| 1962           | 24,372                    |
| 1963           | 36,987                    |
| 1964           | 20,244                    |
| 1965           | 28,408                    |
| 1966           | 29,292                    |
| 1967           | 23,762                    |
| 1968           | 22,585                    |
| 1969           | 7,410                     |
| 1970           | 789,994                   |
| 1971           | 836,535                   |
| 1972           | 761,270                   |
| 1973           | 644,461                   |
| 1974           | 516,940                   |
| 1975           | 379,306                   |
| 1976           | 504,851                   |
| 1977           | 668,165                   |
| 1978           | 651,093                   |
| 1979           | 684,281                   |
| 1980           | 1,549,357                 |
| 1981           | 821,117                   |
| 1982           | (1,777,400)               |
| 1983           | (520,095)                 |
| 1984           | (133,471)                 |
| 1985           | (213,941)                 |
| 1986           | (196,033)                 |
| 1987           | 13,694                    |
| 1988           | 224,012                   |
| 1989           | 162,715                   |
| 1990           | 300,133                   |
| 1991           | 696,257                   |
| 1992           | 0                         |
| 1993           | (56,711)                  |
| 1994           | (1,418,774)               |
| 1995           | (1,561,428)               |
| 1996           | (1,875,814)               |
| 1997           | (1,792,463)               |
| 1998           | (2,293,066)               |
| 1999           | (3,359,397)               |
| 2000           | (3,720,424)               |
| 2001           | (3,717,067)               |
| 2002           | (2,105,838)               |
| 2003           | (3,071,629)               |
| 2004           | (3,054,840)               |

NOTE: In FY 2002, funds were reclassified in conjunction with implementing GASB 34 reporting standards.

**STATE OF ALASKA**  
**GENERAL FUND TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**June 30, 2004**  
**(Stated in Thousands)**

**TABLE 3**

| Fiscal Year | Income Tax | Fuel Tax  | Severance Tax | Cigarette Tax | Property Tax | Other Taxes | Totals       |
|-------------|------------|-----------|---------------|---------------|--------------|-------------|--------------|
| 1995        | \$ 195,482 | \$ 39,601 | \$ 852,833    | \$ 14,396     | \$ 57,250    | \$ 45,510   | \$ 1,205,072 |
| 1996        | 227,062    | 37,740    | 846,873       | 14,158        | 55,993       | 46,276      | 1,228,102    |
| 1997        | 317,846    | 35,318    | 972,124       | 13,652        | 53,567       | 46,331      | 1,438,838    |
| 1998        | 253,480    | 35,645    | 621,495       | 15,400        | 51,254       | 55,463      | 1,032,737    |
| 1999        | 198,856    | 37,725    | 412,757       | 15,233        | 48,840       | 48,175      | 761,586      |
| 2000        | 218,958    | 42,137    | 760,711       | 16,312        | 45,038       | 49,354      | 1,132,510    |
| 2001        | 397,582    | 37,737    | 745,435       | 16,350        | 45,087       | 59,719      | 1,301,910    |
| 2002        | 269,273    | 40,352    | 549,848       | 15,535        | 49,641       | 64,953      | 989,602      |
| 2003        | 207,075    | 37,353    | 640,856       | 16,287        | 48,741       | 81,828      | 1,032,140    |
| 2004        | 339,270    | 41,372    | 697,394       | 15,990        | 47,416       | 101,100     | 1,242,542    |

**STATE OF ALASKA**  
**GENERAL FUND REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
**June 30, 2004**  
**(Stated in Thousands)**

**TABLE 4**

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Charges for Services</u> | <u>Fines and Forfeitures</u> | <u>Rents and Royalties</u> | <u>Premiums and Contributions</u> |
|--------------------|--------------|-----------------------------|-----------------------------|------------------------------|----------------------------|-----------------------------------|
| 1995               | \$ 1,205,072 | \$ 60,546                   | \$ 76,672                   | \$ -                         | \$ 966,129                 | \$ -                              |
| 1996               | 1,228,102    | 61,172                      | 75,121                      | -                            | 909,514                    | -                                 |
| 1997               | 1,438,838    | 69,020                      | 78,116                      | -                            | 1,077,892                  | -                                 |
| 1998               | 1,032,737    | 71,419                      | 82,938                      | -                            | 738,791                    | -                                 |
| 1999               | 761,586      | 63,914                      | 91,401                      | -                            | 512,115                    | -                                 |
| 2000               | 1,132,510    | 69,233                      | 122,670                     | -                            | 1,043,416                  | -                                 |
| 2001               | 1,301,910    | 52,468                      | 161,330                     | -                            | 1,133,200                  | -                                 |
| 2002               | 989,602      | 63,459                      | 157,119                     | 11,712                       | 603,389                    | 9,308                             |
| 2003               | 1,032,140    | 75,714                      | 167,165                     | 10,219                       | 848,288                    | 10,015                            |
| 2004               | 1,242,542    | 90,590                      | 183,909                     | 17,537                       | 1,068,587                  | 10,093                            |

NOTES: In FY 2002, funds were reclassified in conjunction with implementing GASB 34 reporting standards.

Beginning in FY 2004, the Net Increase (Decrease) in the Fair Value of Investments is reported separately from Interest and Investment Income.



TABLE 4

| <u>Interest and<br/>Investment<br/>Income</u> | <u>Net Increase<br/>(Decrease) in the Fair<br/>Value of Investments</u> | <u>Federal</u> | <u>Payments in<br/>from Component<br/>Units</u> | <u>Other</u> | <u>Totals</u> |
|---|---|----------------|---|--------------|---------------|
| \$ -  | \$ -  | \$ 814,251     | \$ -  | \$ 150,824   | \$ 3,273,494  |
| -   | -   | 926,980        | -   | 112,674      | 3,313,563     |
| -   | -   | 942,567        | -   | 120,766      | 3,727,199     |
| -   | -   | 957,272        | -   | 134,967      | 3,018,124     |
| -   | -   | 1,029,328      | -   | 97,284       | 2,555,628     |
| -   | -   | 1,216,447      | -   | 141,032      | 3,725,308     |
| -   | -   | 1,297,840      | -   | 240,397      | 4,187,145     |
| 205,049                                       | -   | 1,535,949      | -   | 134,775      | 3,710,362     |
| 202,732                                       | -   | 1,749,007      | 80,728  | 17,624       | 4,193,632     |
| 107,621                                       | (33,884)  | 1,918,616      | 58,846  | 15,182       | 4,679,639     |

STATE OF ALASKA  
 STATE AID AND SHARED REVENUE TO DISTRICT SCHOOLS  
 Last Ten Fiscal Years  
 June 30, 2004  
 (Stated in Thousands)

TABLE 5

| Fiscal Year | Education Foundation Program | Cigarette Tax | Transportation Aid | Debt Retirement | Non-Resident Pupil Tuition |
|-------------|------------------------------|---------------|--------------------|-----------------|----------------------------|
| 1995        | \$ 627,468                   | \$ 2,668      | \$ 31,564          | \$ 93,742       | \$ 1,825                   |
| 1996        | 639,464                      | 2,655         | 32,842             | 80,322          | 1,732                      |
| 1997        | 648,175                      | 2,690         | 32,842             | 62,476          | 2,100                      |
| 1998        | 653,155                      | 2,608         | 35,195             | 61,640          | 2,068                      |
| 1999        | 676,511                      | -             | 38,071             | 61,991          | 2,021                      |
| 2000        | 672,309                      | -             | 41,915             | 64,350          | 2,117                      |
| 2001        | 666,204                      | -             | 46,814             | 52,099          | 2,225                      |
| 2002        | 677,182                      | -             | 50,564             | 54,057          | 2,225                      |
| 2003        | 668,623                      | -             | 53,934             | 51,970          | 2,225                      |
| 2004        | 695,465                      | -             | 53,086             | 60,593          | -                          |

(a) Other Aids include:

|  |                 |
|--|-----------------|
| 1. Instructional services in handicapped schools | \$ 6,297        |
| 2. Instructional programs for youth in detention | <u>1,100</u>    |
|  | <u>\$ 7,397</u> |

(b) Not stated in thousands.

**TABLE 5**

| Other Aids (a) | Totals     | Average Daily<br>Membership<br>(1st Qtr) (b) | State Aid Cost<br>Ratio Per<br>Pupil (b) |
|----------------|------------|--|--|
| \$ 4,143       | \$ 761,410 | 122,511                                      | \$ 6,215                                 |
| 4,539          | 761,554    | 124,753                                      | 6,104                                    |
| 4,651          | 752,934    | 126,464                                      | 5,954                                    |
| 4,750          | 759,416    | 129,425                                      | 5,868                                    |
| 4,724          | 783,318    | 132,905                                      | 5,894                                    |
| 4,747          | 785,438    | 131,696                                      | 5,964                                    |
| 5,415          | 772,757    | 132,256                                      | 5,843                                    |
| 5,415          | 789,443    | 132,670                                      | 5,950                                    |
| 8,314          | 785,066    | 132,485                                      | 5,926                                    |
| 7,397          | 816,541    | 131,630                                      | 6,203                                    |

STATE OF ALASKA  
 ASSESSED AND FULL VALUE OF TAXABLE PROPERTY  
 Last Ten Years  
 June 30, 2004  
 (Stated in Thousands)

TABLE 6

| Calendar<br>Year | Values Within Cities & Boroughs |               |                   |              |
|------------------|---------------------------------|---------------|-------------------|--------------|
|                  | Real Property                   |               | Personal Property |              |
|                  | Assessed Value                  | Full Value    | Assessed Value    | Full Value   |
| 1994             | \$ 20,147,234                   | \$ 21,476,740 | \$ 2,679,371      | \$ 4,694,996 |
| 1995             | 21,274,993                      | 22,622,971    | 2,560,465         | 4,602,147    |
| 1996             | 22,285,757                      | 23,653,953    | 2,599,057         | 4,756,612    |
| 1997             | 23,820,717                      | 25,691,808    | 2,666,315         | 4,852,884    |
| 1998             | 25,215,942                      | 26,459,540    | 2,575,780         | 4,918,058    |
| 1999             | 26,536,533                      | 28,127,982    | 2,582,718         | 5,272,520    |
| 2000             | 27,984,864                      | 29,816,433    | 2,992,356         | 5,605,481    |
| 2001             | 29,482,507                      | 32,139,890    | 3,046,808         | 5,791,733    |
| 2002             | 31,706,806                      | 33,860,789    | 3,128,642         | 5,835,879    |
| 2003             | 34,835,509                      | 37,228,888    | 3,050,067         | 5,698,632    |

NOTE: Information obtained from Alaska Taxable 2003, published by Department of Community and Economic Development, Division of Community Advocacy, Office of the State Assessor.

**TABLE 6**

| Total          |               | All Areas     | Ratio of Total Assessed to Total Full Value |           |
|----------------|---------------|---------------|---|-----------|
| Assessed Value | Full Value    | Full Value    | Cities & Boroughs                           | All Areas |
| \$ 22,826,605  | \$ 26,171,736 | \$ 43,829,908 | 87.2%                                       | 52.1%     |
| 23,835,458     | 27,225,118    | 44,394,000    | 87.5%                                       | 53.7%     |
| 24,884,814     | 28,410,565    | 45,265,505    | 87.6%                                       | 55.0%     |
| 26,487,032     | 30,544,692    | 47,013,312    | 86.7%                                       | 56.3%     |
| 27,791,722     | 31,377,598    | 47,541,072    | 88.6%                                       | 58.5%     |
| 29,119,251     | 33,400,502    | 49,157,742    | 87.2%                                       | 59.2%     |
| 30,977,220     | 35,421,914    | 50,722,879    | 87.5%                                       | 61.1%     |
| 32,529,315     | 37,931,623    | 53,226,385    | 85.8%                                       | 61.1%     |
| 34,835,448     | 39,696,668    | 55,246,574    | 87.8%                                       | 63.1%     |
| 37,885,576     | 42,927,520    | 58,360,845    | 88.3%                                       | 64.9%     |

**STATE OF ALASKA**  
**SCHEDULE OF NET GENERAL BONDED DEBT /PROPERTY**  
**VALUE RATIOS AND PER CAPITA**  
**Last Ten Years**  
**June 30, 2004**  
**(Stated in Thousands)**

**TABLE 7**

| <u>Calendar Year</u> | <u>Population (a) (c)</u> | <u>Assessed Value<br/>Cities &amp;<br/>Boroughs (b)</u> | <u>Full Value<br/>All Areas (b)</u> | <u>Gross<br/>General<br/>Bonded<br/>Debt</u> |
|----------------------|---------------------------|---|-------------------------------------|--|
| 1994                 | 600,622                   | \$ 22,826,605   | \$ 43,829,908                       | \$ 78,192                                    |
| 1995                 | 601,581                   | 23,835,458  | 44,394,000                          | 39,101                                       |
| 1996                 | 605,212                   | 24,884,814  | 45,265,505                          | 24,206                                       |
| 1997                 | 609,655                   | 26,487,032  | 47,013,312                          | 10,891                                       |
| 1998                 | 617,082                   | 27,791,722  | 47,541,072                          | 2,376  |
| 1999                 | 622,000                   | 29,119,251  | 49,157,742                          | -  |
| 2000                 | 626,932                   | 30,977,220  | 50,722,879                          | -  |
| 2001                 | 634,892                   | 32,529,314  | 53,226,385                          | -  |
| 2002                 | 643,786                   | 34,835,448  | 55,246,574                          | 461,935                                      |
| 2003                 | 648,818                   | 37,885,577  | 58,360,845                          | 461,935                                      |

- (a) Population information was obtained from 2003 Census provided by Alaska Department of Labor and Workforce Development.
- (b) Information obtained from Alaska Taxable 2003, published by Department of Community and Economic Development, Division of Community Advocacy, Office of the State Assessor.
- (c) Not stated in thousands.

**TABLE 7**

| <u>Less Debt<br/>Service<br/>Funds</u> | <u>Net<br/>General<br/>Bonded<br/>Debt</u> | <u>Ratio of Net<br/>General<br/>Bonded Debt to<br/>Assessed Value:<br/>Cities &amp; Boroughs</u> | <u>Ratio of Net<br/>General Bonded<br/>Debt to Full Value:<br/>All Areas</u> | <u>Net<br/>General<br/>Bonded Debt<br/>Per Capita (c)</u> |
|--|--|--|--|---|
| \$ 148                                 | \$ 78,044                                  | 0.3%   | 0.2%   | \$ 130  |
| -                                      | 39,101                                     | 0.2%   | 0.1%   | 65  |
| 7,700                                  | 16,506                                     | 0.1%   | 0.0%   | 27  |
| -                                      | 10,891                                     | 0.0%   | 0.0%   | 18  |
| 668                                    | 1,708                                      | 0.0%   | 0.0%   | 3   |
| -                                      | 0  | 0.0%   | 0.0%   | 0   |
| -                                      | 0  | 0.0%   | 0.0%   | 0   |
| -                                      | 0  | 0.0%   | 0.0%   | 0   |
| 38,000                                 | 423,935                                    | 1.2%   | 0.8%   | 659   |
| 24,055                                 | 437,880                                    | 1.2%   | 0.8%   | 675   |

STATE OF ALASKA  
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT  
TO TOTAL GENERAL FUND EXPENDITURES AND UNRESTRICTED REVENUES  
Last Ten Fiscal Years  
June 30, 2004  
(Stated in Thousands)

TABLE 8

| Fiscal Year | Principal | Interest | Total Debt Service | Total General Fund |                       | Ratio of Debt Service to General Fund |                       |
|-------------|-----------|----------|--------------------|--------------------|-----------------------|---------------------------------------|-----------------------|
|             |           |          |                    | Expenditures       | Unrestricted Revenues | Expenditures                          | Unrestricted Revenues |
| 1995        | \$ 20,221 | \$ 2,696 | \$ 22,917          | \$ 3,312,357       | \$ 2,458,698          | 0.7%                                  | 0.9%                  |
| 1996        | 18,870    | 2,435    | 21,305             | 3,385,929          | 2,383,671             | 0.6%                                  | 0.9%                  |
| 1997        | 14,895    | 1,601    | 16,496             | 3,350,248          | 2,788,733             | 0.5%                                  | 0.6%                  |
| 1998        | 13,315    | 904      | 14,219             | 3,301,455          | 2,064,732             | 0.4%                                  | 0.7%                  |
| 1999        | 8,515     | 324      | 8,839              | 3,434,008          | 1,522,285             | 0.3%                                  | 0.6%                  |
| 2000        | 2,376     | 57       | 2,433              | 3,555,606          | 2,508,319             | 0.1%                                  | 0.1%                  |
| 2001        | -         | -        | 0                  | 3,757,893          | 2,829,037             | 0.0%                                  | 0.0%                  |
| 2002        | -         | -        | 0                  | 5,184,349          | 1,991,338             | 0.0%                                  | 0.0%                  |
| 2003        | -         | -        | 0                  | 5,582,387          | 2,270,106             | 0.0%                                  | 0.0%                  |
| 2004        | -         | 18,471   | 18,471             | 5,422,708          | 2,717,129             | 0.3%                                  | 0.7%                  |

NOTE: Expenditures include operating transfers for debt service.



STATE OF ALASKA  
SCHEDULE OF REVENUE BOND COVERAGE  
INTERNATIONAL AIRPORT FUND  
Last Ten Fiscal Years  
June 30, 2004  
(Stated in Thousands)

TABLE 9

| Fiscal Year | Revenue   | Operating Expenses | Net Revenue Available for Debt Service | Debt Service Requirements |          |          | Ratio of Net Revenue to Debt Service Requirements |
|-------------|-----------|--------------------|--|---------------------------|----------|----------|---|
|             |           |                    |  | Principal                 | Interest | Total    |   |
| 1995        | \$ 48,959 | \$ 36,291          | \$ 12,668                              | \$ 3,390                  | \$ 2,276 | \$ 5,666 | 2.2   |
| 1996        | 50,825    | 37,310             | 13,515                                 | 3,505                     | 2,168    | 5,673    | 2.4   |
| 1997        | 55,799    | 40,510             | 15,289                                 | 3,640                     | 2,041    | 5,681    | 2.7   |
| 1998        | 54,221    | 39,278             | 14,943                                 | 3,785                     | 1,896    | 5,681    | 2.6   |
| 1999        | 52,184    | 40,901             | 11,283                                 | 3,970                     | 1,735    | 5,705    | 2.0   |
| 2000        | 56,716    | 42,472             | 14,244                                 | 3,210                     | 12,812   | 16,022   | 0.9   |
| 2001        | 73,922    | 44,798             | 29,124                                 | 1,135                     | 11,613   | 12,748   | 2.3   |
| 2002        | 67,936    | 47,779             | 20,157                                 | 3,660                     | 11,508   | 15,168   | 1.3   |
| 2003        | 76,753    | 54,686             | 22,067                                 | 6,300                     | 18,642   | 24,942   | 0.9   |
| 2004        | 76,467    | 49,238             | 27,229                                 | 6,580                     | 18,365   | 24,945   | 1.1   |

NOTE: The revenue and expense figures are from the statement contained within the State of Alaska Comprehensive Annual Financial Report titled Proprietary Funds, Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Statement 1.22). The revenue figures are from revenue accounts titled Charges for Goods and Services and Other Operating Revenues. The figures for the operating expenses include Personal Services, Travel and Per Diem, Contractual Services, and Materials and Supplies.

**GENERAL:**

|                                      |                                  |                             |         |
|--------------------------------------|----------------------------------|-----------------------------|---------|
| <u>Date of Incorporation:</u>        | January 3, 1959                  | <u>Area - Square Miles:</u> | 586,412 |
| <u>Date of Constitution Adopted:</u> | April 24, 1956 (Referendum Date) | <u>Coast-line Miles:</u>    | 33,904  |
| <u>Form of Government:</u>           | State                            |                             |         |

Employees Paid as of June 30:

|  | Regular<br>Full-Time | Regular<br>Part-Time | Seasonal<br>Full-Time | Seasonal<br>Part-time | 2004<br>Total | 2003<br>Total |
|--|----------------------|----------------------|-----------------------|-----------------------|---------------|---------------|
| Public Safety/Security Officers        | 446                  | -                    | -                     | -                     | 446           | 431           |
| Marine (Ferry)                         | 713                  | -                    | 70                    | -                     | 783           | 794           |
| General Government, Confidential, LTC  | 9,266                | 306                  | 1,224                 | 22                    | 10,818        | 11,098        |
| Supervisors                            | 1,710                | 3                    | 24                    | -                     | 1,737         | 1,747         |
| Firefighters                           | 1                    | -                    | 615                   | -                     | 616           | 779           |
| Teachers                               | 63                   | 1                    | -                     | -                     | 64            | 79            |
| National Guard                         | -                    | 10                   | 1                     | -                     | 11            | 4             |
| Exempt, Partially Exempt, and Excluded | 1,300                | 204                  | 59                    | -                     | 1,563         | 1,484         |
| Judicial Workers                       | 633                  | 47                   | -                     | 2                     | 682           | 691           |
| Legislative Employees                  | 383                  | 16                   | -                     | 55                    | 454           | 460           |
| Total Employees                        | <u>14,515</u>        | <u>587</u>           | <u>1,993</u>          | <u>79</u>             | <u>17,174</u> | <u>17,567</u> |

Number of Votes Cast Compared to Number of Registered Voters:

|  | <u>Voted</u> | <u>Registered</u> | <u>Percentage<br/>Voting</u> |
|--|--------------|-------------------|------------------------------|
| Last General Election - November 5, 2002   | 232,112      | 458,217           | 50.7%                        |
| Last Primary Election - August 27, 2002    | 105,737      | 450,754           | 23.5%                        |
| Last Special Election - September 14, 1999 | 185,513      | 448,524           | 41.4%                        |

**FIRE PROTECTION:**

|  | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| Number of Fire Departments Registered with Fire Marshall | 143         | 154         |
| Number of Full-Time Firefighters                         | 1,689       | 1,339       |
| Number of Volunteer Firefighters                         | 4,696       | 5,737       |

**EDUCATION:**

|   | <u>Number<br/>of<br/>Schools</u> | <u>Number of<br/>Certified<br/>Teachers</u> | <u>Initial<br/>Enrollment<br/>Students</u> |
|---|----------------------------------|---|--|
| Regional Education Attendance Areas (REAA): |                                  |   |  |
| Elementary                                  | 24                               | 155   | 1,953                                      |
| Secondary                                   | 9                                | 91  | 1,204                                      |
| P-12  | 131                              | 867   | 12,044                                     |
| Cities/Boroughs:                            |                                  |   |  |
| Elementary                                  | 203                              | 4,465                                       | 70,629                                     |
| Secondary                                   | 71                               | 1,925                                       | 32,755                                     |
| P-12  | 91                               | 637   | 14,565                                     |
| Private and Denominational Schools:         | 53                               | 182   | 4,294                                      |

NOTES: Central Correspondence Study and Mt. Edgecumbe High School data are not included. Elementary includes Pre-elementary through grade 8. Secondary includes grades 9 through 12. Home schools are not included, as they don't register with the Alaska Department of Education and Early Development. The State of Alaska has no oversight over Private and Denominational Schools.

Information obtained from the Alaska Department of Education and Early Development, Division of Education Support Services, School Finance Section.

**EDUCATION:**

| Enrollment of Alaska Students - Last Ten Fiscal Years |                  |        |                                    |                              |                 |                        |
|---|------------------|--------|------------------------------------|------------------------------|-----------------|------------------------|
| Fiscal Year   | City and Borough | REAA'S | Private and Denominational Schools | Central Correspondence Study | Mount Edgecumbe | Enrollment All Schools |
| 1995  | 111,490          | 13,954 | 4,417                              | 1,357                        | 266             | 131,484                |
| 1996  | 111,700          | 14,429 | 3,981                              | 1,351                        | 282             | 131,743                |
| 1997  | 113,762          | 14,381 | 3,835                              | 1,489                        | 287             | 133,754                |
| 1998  | 115,484          | 13,942 | 3,383                              | 1,569                        | 308             | 134,685                |
| 1999  | 118,374          | 14,468 | 4,177                              | 2,628                        | 308             | 139,955                |
| 2000  | 118,192          | 14,630 | 2,472                              | 1,240                        | 329             | 136,863                |
| 2001  | 117,909          | 14,076 | 4,957                              | 1,041                        | 330             | 138,313                |
| 2002  | 118,806          | 14,204 | 5,293                              | 1,017                        | 331             | 139,651                |
| 2003  | 118,720          | 14,583 | 5,202                              | 724                          | 337             | 139,566                |
| 2004  | 117,949          | 15,201 | 4,294                              | 444                          | 336             | 138,224                |

| Alaska Colleges, Universities, and Community Colleges - Closing Enrollment - Last Ten Academic Years |  |  |                           |                         |                      |
|--|--|--|---------------------------|-------------------------|----------------------|
| Fall Semester  | University of Alaska Main Campuses (a) | University of Alaska Community College (a) | Alaska Pacific University | Sheldon Jackson College | Alaska Bible College |
| 1994   | 31,496                                 | 1,388                                      | 1,560                     | 271                     | 43                   |
| 1995   | 31,032                                 | 1,477                                      | 1,464                     | 223                     | 54                   |
| 1996   | 30,303                                 | 1,614                                      | 1,261                     | 202                     | 48                   |
| 1997   | 29,521                                 | 1,663                                      | 863                       | 185                     | 43                   |
| 1998   | 29,180                                 | 1,926                                      | 940                       | 259                     | 46                   |
| 1999   | 28,697                                 | 1,552                                      | 1,083                     | 235                     | 37                   |
| 2000   | 29,021                                 | 1,459                                      | 1,100                     | 200                     | 44                   |
| 2001   | 29,198                                 | 1,427                                      | 1,292                     | 253                     | 44                   |
| 2002   | 31,442                                 | 2,074                                      | 1,532                     | 270                     | 52                   |
| 2003   | 32,311                                 | 1,589                                      | 1,404                     | 223                     | 57                   |
| Spring Semester  | University of Alaska Main Campuses (a) | University of Alaska Community College (a) | Alaska Pacific University | Sheldon Jackson College | Alaska Bible College |
| 1995   | 31,522                                 | 1,801                                      | 2,028                     | 254                     | 53                   |
| 1996   | 31,427                                 | 1,570                                      | 1,762                     | 257                     | 43                   |
| 1997   | 31,162                                 | 1,915                                      | 1,176                     | 196                     | 44                   |
| 1998   | 30,115                                 | 2,017                                      | 1,034                     | 169                     | 39                   |
| 1999   | 28,842                                 | 1,794                                      | 1,207                     | 237                     | 44                   |
| 2000   | 28,002                                 | 1,900                                      | 1,186                     | 188                     | 36                   |
| 2001   | 28,311                                 | 2,322                                      | 1,133                     | 213                     | 45                   |
| 2002   | 29,159                                 | 2,302                                      | 1,200                     | 219                     | 43                   |
| 2003   | 31,607                                 | 2,381                                      | 1,550                     | 214                     | 51                   |
| 2004   | 31,931                                 | 2,390                                      | 1,446                     | 229                     | 58                   |

(a) The University of Alaska has three multi-campus institutions and one community college.

NOTE: Enrollment figures are head count enrollments.

**TRANSPORTATION:**

| Miles of Public Highways:            | 2004          | 2003          |
|--------------------------------------|---------------|---------------|
| Land Miles:                          |               |               |
| State (DOT/PF) Maintained:           |               |               |
| Interstate                           | 1,082         | 1,082         |
| Other Principal Arterials            | 867           | 867           |
| Minor Arterials                      | 604           | 614           |
| Collectors                           | 2,392         | 2,399         |
| Local                                | 667           | 600           |
| State (DOT/PF) Maintained Subtotal   | <u>5,612</u>  | <u>5,562</u>  |
| Other State (DNR) Maintained:        | 465           | 462           |
| Borough/Municipal/Community:         |               |               |
| Arterials                            | 43            | 26            |
| Collectors                           | 258           | 319           |
| Local                                | 5,273         | 5,443         |
| Borough/Municipal/Community Subtotal | <u>5,574</u>  | <u>5,788</u>  |
| Federal Agency Maintained:           |               |               |
| U.S. Forest Service                  | 1,088         | 1,081         |
| U.S. Fish & Wildlife Service         | 57            | 57            |
| National Parks                       | 134           | 134           |
| BIA/ Indian Nations                  | 760           | 760           |
| U.S. Corps of Engineers              | 12            | 12            |
| U.S. Dept. of Defense                | 251           | 251           |
| U.S. Coast Guard                     | 2             | 2             |
| Federal Agency Maintained Subtotal   | <u>2,304</u>  | <u>2,297</u>  |
| Total Land Miles                     | <u>13,955</u> | <u>14,109</u> |
| Ferry Miles:                         |               |               |
| State (DOT/PF) Maintained:           |               |               |
| Arterials                            | 1,296         | 1,296         |
| Collectors                           | 1,085         | 1,085         |
| Local                                | 485           | 485           |
| Total Ferry Miles                    | <u>2,866</u>  | <u>2,866</u>  |
| Total Miles of Public Highways       | <u>16,821</u> | <u>16,975</u> |

NOTE: DOT/PF refers to Department of Transportation and Public Facilities and DNR refers to Department of Natural Resources.

Total Air Carrier Activity  
 State of Alaska International Airports  
 Last Ten Fiscal Years

| Fiscal Year | Landings |         | Passengers |           |         | Freight (tons) |         |
|-------------|----------|---------|------------|-----------|---------|----------------|---------|
|             | Jets     | Total   | In         | Out       | Through | In             | Out     |
| 1995        | 52,897   | 113,315 | 2,413,614  | 2,407,308 | 627,781 | 95,293         | 149,505 |
| 1996        | 54,736   | 110,763 | 2,412,824  | 2,428,340 | 699,884 | 95,440         | 148,380 |
| 1997        | 59,164   | 117,379 | 2,548,920  | 2,547,063 | 802,424 | 90,903         | 149,686 |
| 1998        | 66,301   | 122,576 | 2,532,369  | 2,531,986 | 779,953 | 103,288        | 159,669 |
| 1999        | 66,831   | 114,815 | 2,522,005  | 2,538,998 | 734,715 | 227,259        | 253,329 |
| 2000        | 69,901   | 119,372 | 2,588,078  | 2,600,238 | 694,662 | 247,658        | 266,363 |
| 2001        | 71,075   | 122,179 | 2,653,474  | 2,658,282 | 675,390 | 242,323        | 262,935 |
| 2002        | 70,161   | 121,722 | 2,624,631  | 2,634,245 | 513,076 | 236,834        | 259,036 |
| 2003        | 72,663   | 121,596 | 2,614,179  | 2,608,440 | 446,000 | 257,715        | 277,857 |
| 2004        | 72,486   | 121,568 | 2,696,409  | 2,686,048 | 421,472 | 255,958        | 267,749 |

**RECREATION:**

| Number of Acres:   | 2004               | 2003               |
|--|--------------------|--------------------|
| Federal Parks and Monuments  | 54,664,000         | 54,664,000         |
| Federal Wildlife Refuges and Conservation Areas  | 76,711,292         | 76,711,292         |
| Federal Forests  | 21,983,424         | 21,983,424         |
| State Parks System   | 3,325,939          | 3,353,276          |
| State Forests  | 2,243,100          | 2,243,100          |
| State Public Reserves and Rivers   | 2,598,430          | 2,598,430          |
| Other State Conservation Preserves, Game Refuges, Sanctuaries,<br>and Critical Habitat Areas | 3,193,560          | 3,193,560          |
| Other Government, Local Government/Municipal   | 32,620             | 32,620             |
| Total Number of Acres  | <u>164,752,365</u> | <u>164,779,702</u> |

**POPULATION:**

| Year | Population | Increase (Decrease) |         | Civilian | Military |
|------|------------|---------------------|---------|----------|----------|
|      |            | Number              | Percent |          |          |
| 1950 | 128,643    | -                   | -       | 108,301  | 20,342   |
| 1960 | 226,167    | 97,524              | 75.8    | 193,678  | 32,489   |
| 1970 | 300,382    | 74,215              | 32.8    | 269,648  | 30,734   |
| 1980 | 401,851    | 101,469             | 33.8    | 383,870  | 17,981   |
| 1990 | 553,124    | 151,273             | 37.6    | 529,992  | 23,132   |
| 1995 | 601,581    | 959                 | 0.2     | 582,545  | 19,036   |
| 1996 | 605,212    | 3,631               | 0.6     | 586,238  | 18,974   |
| 1997 | 609,655    | 4,443               | 0.7     | 591,601  | 18,054   |
| 1998 | 617,082    | 7,427               | 1.2     | 599,062  | 18,020   |
| 1999 | 622,000    | 4,918               | 0.8     | 603,316  | 18,684   |
| 2000 | 626,932    | 4,932               | 0.8     | 608,124  | 18,808   |
| 2001 | 633,630    | 6,698               | 1.1     | 610,186  | 23,444   |
| 2002 | 643,786    | 10,156              | 1.6     | 619,966  | 23,820   |
| 2003 | 648,818    | 5,032               | 0.8     | 624,812  | 24,006   |

**Age Distribution of Population:**

| Year | Age Groups |         |        |        |         |         |         |        |        | Median Age |
|------|------------|---------|--------|--------|---------|---------|---------|--------|--------|------------|
|      | 0-4        | 5-13    | 14-17  | 18-24  | 25-34   | 35-44   | 45-54   | 55-64  | 65+    |            |
| 1950 | 15,579     | 17,056  | 5,835  | 23,597 | 26,447  | 18,517  | 10,656  | 6,214  | 4,742  | 25.8       |
| 1960 | 34,193     | 43,216  | 11,487 | 32,129 | 39,672  | 31,981  | 18,957  | 9,146  | 5,386  | 23.3       |
| 1970 | 32,075     | 64,743  | 23,041 | 45,517 | 49,299  | 38,021  | 26,939  | 13,860 | 6,887  | 22.9       |
| 1980 | 38,949     | 62,363  | 29,433 | 59,773 | 90,808  | 54,022  | 34,243  | 20,713 | 11,547 | 26.1       |
| 1990 | 55,859     | 87,602  | 30,356 | 56,189 | 113,233 | 104,039 | 53,985  | 29,422 | 22,439 | 29.3       |
| 1995 | 54,514     | 99,639  | 37,951 | 47,656 | 101,782 | 119,821 | 76,501  | 34,438 | 29,279 | 31.5       |
| 1996 | 52,568     | 99,966  | 38,795 | 48,377 | 97,426  | 120,566 | 81,217  | 36,047 | 30,250 | 31.9       |
| 1997 | 51,970     | 100,902 | 40,304 | 49,474 | 92,587  | 120,167 | 85,182  | 38,035 | 31,034 | 32.2       |
| 1998 | 51,876     | 101,208 | 41,116 | 51,242 | 88,444  | 120,318 | 89,613  | 40,977 | 32,288 | 32.5       |
| 1999 | 51,111     | 100,645 | 41,889 | 53,140 | 84,518  | 119,123 | 94,496  | 43,437 | 33,641 | 32.9       |
| 2000 | 47,591     | 100,450 | 42,676 | 57,292 | 89,473  | 114,049 | 94,952  | 44,750 | 35,699 | 32.4       |
| 2001 | 49,865     | 98,913  | 43,815 | 58,119 | 88,415  | 111,554 | 98,398  | 47,471 | 37,080 | 32.6       |
| 2002 | 51,304     | 99,440  | 44,682 | 59,509 | 88,881  | 109,869 | 100,157 | 51,341 | 38,603 | 32.7       |
| 2003 | 51,540     | 97,013  | 44,662 | 61,422 | 88,529  | 106,352 | 103,632 | 55,513 | 40,155 | 33.1       |

NOTE: Data for 1950 through 1999 were obtained from Alaska Population Overview - 2000 Estimates, published by Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit. 2000 data was obtained from U.S. Census Bureau 2000 Census of Population & Housing Summary File. 2001 through 2003 data received from Alaska Census Data Population Estimates, published by Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit.

**PERSONAL INCOME:** Bureau of Economic Analysis - U.S. Department of Commerce

| Year | Total Alaska Personal Income |                   |                 |                  |
|------|------------------------------|-------------------|-----------------|------------------|
|      | (Millions)                   | Alaska Per Capita | U.S. Per Capita | % Alaska to U.S. |
| 1990 | \$11,549                     | \$20,881          | \$18,666        | 111.9            |
| 1994 | 14,065                       | 23,417            | 22,056          | 106.2            |
| 1995 | 15,513                       | 25,798            | 23,562          | 109.5            |
| 1996 | 15,762                       | 26,057            | 24,651          | 105.7            |
| 1997 | 16,465                       | 27,042            | 25,874          | 104.5            |
| 1998 | 17,167                       | 27,904            | 27,322          | 102.1            |
| 1999 | 17,704                       | 28,577            | 28,542          | 100.1            |
| 2000 | 18,612                       | 30,064            | 29,676          | 101.3            |
| 2001 | 19,641                       | 30,936            | 30,472          | 101.5            |
| 2002 | 20,467                       | 31,792            | 30,832          | 103.1            |
| 2003 | 21,779                       | 33,568            | 31,632          | 106.1            |

**POPULATION OF CORRECTIONAL FACILITIES:**

| <u>Adult:</u>  | <u>2004</u>  | <u>2003</u>  |
|--|--------------|--------------|
| Alaska Prisoners in Federal Bureau of Prison Facilities Arizona and State of Minnesota Prison Facilities | 706          | 676          |
| Cook Inlet Pretrial Facility   | 400          | 393          |
| Fairbanks Correctional Center  | 219          | 242          |
| Hiland Mountain Correctional Center  | 233          | 215          |
| Ketchikan Correctional Center  | 59           | 51           |
| Lemon Creek Correctional Center  | 181          | 167          |
| Mat-Su Pretrial Facility   | 84           | 68           |
| Meadow Creek Correctional Center   | 74           | 74           |
| Nome Correctional Center   | 117          | 113          |
| Palmer Correctional Center - Medium  | 201          | 206          |
| Palmer Correctional Center - Minimum   | 175          | 175          |
| Point MacKenzie  | 93           | 93           |
| Spring Creek Correctional Center   | 487          | 482          |
| State Prisoner Holding Facilities:   |              |              |
| Anchorage Jail   | 395          | 412          |
| Community Residential Centers  | 647          | 668          |
| Community Treatment Centers  | 29           | 34           |
| CRC Offender Supervision (Home Arrest)   | 20           | 27           |
| Electronic Monitoring  | 131          | 136          |
| Local Community Jails  | 50           | 54           |
| Wildwood Correctional Center   | 214          | 254          |
| Wildwood Pretrial Facility   | 105          | 96           |
| Yukon-Kuskokwim Correctional Center  | 104          | 112          |
| Total Adult Population of Correctional Facilities  | <u>4,724</u> | <u>4,748</u> |

| <u>Juvenile:</u>                                     | <u>2004</u> | <u>2003</u> |
|--|-------------|-------------|
| Bethel Youth Facility                                | 21          | 24          |
| Fairbanks Youth Facility                             | 35          | 36          |
| Johnson Youth Center                                 | 25          | 28          |
| Kenai Peninsula Youth Facility                       | 4           | -           |
| Ketchikan Regional Youth Facility                    | 7           | 5           |
| Mat-Su Youth Facility                                | 10          | 14          |
| McLaughlin Youth Center                              | 137         | 189         |
| Nome Youth Facility                                  | 8           | 9           |
| Total Juvenile Population of Correctional Facilities | <u>247</u>  | <u>305</u>  |

NOTE: The Kenai Peninsula Youth Facility was dedicated on September 26, 2003. Annual statistical information was not available until FY2004.

NOTE: Juvenile population of correctional facilities reflects the average daily population figures.



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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2004**

**INDEX OF FUNDS**

| Fund Description  | Authority   | Separately<br>Reported? | Fund or<br>Group | Statement<br>Number |
|---|---|-------------------------|------------------|---------------------|
| Accelerated Alaska Transportation Projects                          | Ch 114, SLA 2002                                    | Yes                     | CPF              | 3.51, 3.52          |
| Adak Airport Operations   | PL 101-510  | No                      | GF               | 3.11, 3.12          |
| Agricultural Revolving Loan   | AS 03.10.040  | Yes                     | OAEF             | 4.31 - 4.33         |
| Alaska Aerospace Development Corporation                            | AS 14.40.841  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Children's Trust   | AS 37.14.200  | No                      | GF               | 3.11, 3.12          |
| Alaska Clean Water  | AS 46.03.032-034                                    | Yes                     | OAEF             | 4.31 - 4.33         |
| Alaska Debt Retirement  | AS 37.15.011  | No                      | GF               | 3.11, 3.12          |
| Alaska Drinking Water   | AS 46.03.036-038                                    | Yes                     | OAEF             | 4.31 - 4.33         |
| Alaska Energy Authority   | AS 44.83.020  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Historical Commission Receipts Account                       | AS 41.35.380  | No                      | GF               | 3.11, 3.12          |
| Alaska Housing Finance Corporation                                  | AS 18.56.020  | Yes                     | DPCU             | 1.41, 1.42          |
| Alaska Industrial Development and Export<br>Authority               | AS 44.88.020<br>AS 44.88.600                        | Yes                     | DPCU             | 1.41, 1.42          |
|   | Ch 42, SLA 1987                                     |                         |                  |                     |
| Alaska Marine Highway System  | AS 19.65.060  | No                      | GF               | 3.11, 3.12          |
| Alaska Marine Highway System Vessel                                 | AS 37.05.550  | No                      | GF               | 3.11, 3.12          |
| Alaska Mental Health Trust Authority                                | AS 47.30.011  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Municipal Bond Bank Authority                                | AS 44.85.020  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska National Guard and Alaska Naval Militia<br>Retirement System | AS 26.05.222  | Yes                     | PTF              | 5.01, 5.02          |
| Alaska Natural Gas Development Authority                            | AS 41.41.010  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Permanent Fund   | Constitution, Art. IX, sec. 15                      | Yes                     | PF               | 1.11 - 1.13         |
| Alaska Public Building  | AS 37.05.570  | Yes                     | ISF              | 4.41 - 4.43         |
| Alaska Railroad Corporation   | AS 42.40.010  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Science and Technology Foundation                            | AS 37.17.010<br>AS 37.17.210                        | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Student Loan Corporation                                     | AS 14.42.100  | Yes                     | DPCU             | 6.01, 6.02          |
| Alaska Technical and Vocational Education                           | AS 23.15.830  | No                      | GF               | 3.11, 3.12          |
| Alaska Transportation Infrastructure Bank                           | Section 350 of the NHSD<br>Act of 1995 Federal Law  | No                      | GF               | 3.11, 3.12          |
| Alaska Veterans' Memorial Endowment Fund                            | AS 37.14.700  | Yes                     | GF               | 3.11, 3.12          |
| Alaska World War II Veterans' Revolving Loan                        | AS 26.15.090  | Yes                     | CAEF             | 4.11 - 4.13         |
| Alcohol and Other Drug Abuse Treatment and<br>Prevention            | AS 43.60.050  | No                      | GF               | 3.11, 3.12          |
| Alcoholism and Drug Abuse Revolving Loan                            | AS 44.29.210  | Yes                     | OAEF             | 4.31 - 4.33         |
| Alternative Energy Revolving Loan                                   | AS 45.88.010  | Yes                     | EAEF             | 4.21 - 4.23         |
| Alyeska Settlement Trust  | Consent decree between U.S.,<br>Alaska, and Alyeska | Yes                     | SRF              | 3.31, 3.32          |
| Art in Public Places  | AS 44.27.060  | No                      | GF               | 3.11, 3.12          |
| Assistive Technology Loan Guarantee                                 | AS 23.15.125  | No                      | GF               | 3.11, 3.12          |
| ASTF - Endowment  | AS 37.17.020  | No                      | DPCU             | 6.01, 6.02          |
| ASTF - International Trade and Business<br>Endowment                | AS 37.17.440  | No                      | DPCU             | 6.01, 6.02          |
| Budget Reserve - Statutory  | AS 37.05.540  | No                      | GF               | 3.11, 3.12          |
| Building Safety Account   | AS 44.31.025  | No                      | GF               | 3.11, 3.12          |

**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2004**

**INDEX OF FUNDS**

| Fund Description   | Authority   | Separately<br>Reported? | Fund or<br>Group | Statement<br>Number |
|--|---|-------------------------|------------------|---------------------|
| Child Care Facility Revolving Loan   | AS 44.33.240  | Yes                     | CAEF             | 4.11 - 4.13         |
| Clean Air Protection   | AS 46.14.260 and<br>Federal Clean Air Act                                     | Yes                     | SRF              | 3.31 - 3.33         |
| Commercial Fishing Revolving Loan  | AS 16.10.340  | Yes                     | CAEF             | 4.11 - 4.13         |
| Commercial Passenger Vessel Environmental<br>Compliance                                  | AS 46.03.482  | No                      | GF               | 3.11, 3.12          |
| Constitutional Budget Reserve  | Constitution, Art. IX, sec. 17  | Yes                     | GF               | 3.11, 3.12          |
| Correctional Industries  | AS 33.32.020  | Yes                     | ISF              | 4.41 - 4.43         |
| Deferred Compensation  | AS 39.45.010  | Yes                     | PTF              | 5.01, 5.02          |
| Deposits, Suspense, and Miscellaneous Agency<br>Funds                                    |   | Yes                     | AF               | 5.11, 5.12          |
| Disaster Relief  | AS 26.23.300  | No                      | GF               | 3.11, 3.12          |
| Donated Commodity Fee  | USC 7 CFR, Part 250   | No                      | GF               | 3.11, 3.12          |
| Educational and Museum Facility Design,<br>Construction and Major Maintenance (GO Bonds) | Ch 2, SSSLA 2002  | Yes                     | CPF              | 3.51, 3.52          |
| Educational Facilities Maintenance and<br>Construction                                   | AS 37.05.560  | No                      | GF               | 3.11, 3.12          |
| Election   | Federal H.R. 3295   | No                      | GF               | 3.11, 3.12          |
| Employment Assistance and Training Program<br>Account                                    | AS 23.15.625  | No                      | GF               | 3.11, 3.12          |
| Exxon Valdez Oil Spill Investment Trust (EVOS)   | PL 106-113  | Yes                     | AF               | 5.11, 5.12          |
| Exxon Valdez Oil Spill Restoration   | U.S. District Court Judgment  | Yes                     | SRF              | 3.31 - 3.33         |
| Exxon Valdez Oil Spill Unincorporated Rural<br>Community Grant                           | AS 44.33.115  | No                      | GF               | 3.11, 3.12          |
| Exxon Valdez Settlement Trust  | AS 37.14.400  | Yes                     | SRF              | 3.31 - 3.33         |
| FHWA - Airspace Leases   | Section 156 of the<br>USSTURAA of 1987  | No                      | GF               | 3.11, 3.12          |
| FICA Administration  | AS 39.30.050  | No                      | GF               | 3.11, 3.12          |
| Fish and Game  | AS 16.05.100  | Yes                     | SRF              | 3.31 - 3.33         |
| Fisheries Disaster   | PL 108-7, SEC 2, Division N,<br>Title V - Fisheries Disaster,<br>Sec. 501 (a) | No                      | GF               | 3.11, 3.12          |
| Fisheries Enhancement Revolving Loan   | AS 16.10.505  | Yes                     | CAEF             | 4.11 - 4.13         |
| Fishermen's  | AS 23.35.060  | Yes                     | SRF              | 3.31 - 3.33         |
| Fuel Emergency   | AS 26.23.400  | No                      | GF               | 3.11, 3.12          |
| Fund for the Improvement of School Performance   | AS 14.03.125  | No                      | GF               | 3.11, 3.12          |
| General Fund   | Operating fund of the State   | Yes                     | GF               | 3.11, 3.12          |
| General Obligation Bond Redemption   | Various SLA's   | Yes                     | DSF              | 3.41, 3.42          |
| Group Health and Life Benefits   | AS 39.30.095  | Yes                     | ISF              | 4.41 - 4.43         |
| Highways Equipment Working Capital   | AS 44.68.210  | Yes                     | ISF              | 4.41 - 4.43         |
| Historical District Revolving Loan   | AS 45.98.010  | Yes                     | CAEF             | 4.11 - 4.13         |
| Impact Aid PL 103-382  | Federal funds passed through to<br>school districts                           | 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         |

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| Fund Description   | Authority   | Separately<br>Reported? | Fund or<br>Group | Statement<br>Number |
|--|---|-------------------------|------------------|---------------------|
| Investment Loss Trust  | AS 37.14.300  | No                      | PTF/SBS          | 5.01, 5.02          |
| Judicial Retirement System   | AS 22.25.048  | Yes                     | PTF              | 5.01, 5.02          |
| Knik Arm Bridge and Toll Authority                                   | AS 19.75.021  | Yes                     | OAEF             | 4.31 - 4.33         |
| Major Maintenance Grant  | AS 14.11.007  | No                      | GF               | 3.11, 3.12          |
| Memorial Education Revolving Loan                                    | AS 14.43.255  | Yes                     | GF               | 3.11, 3.12          |
| Mining Revolving Loan  | AS 27.09.010  | Yes                     | CAEF             | 4.11 - 4.13         |
| Municipal Capital Project Matching Grant                             | AS 37.06.010  | No                      | GF               | 3.11, 3.12          |
| National Petroleum Reserve   | AS 37.05.530  | Yes                     | SRF              | 3.31 - 3.33         |
| Northern Tobacco Securitization Corporation                          | AS 18.56.086  | Yes                     | SRF              | 3.31 - 3.33         |
| Northern Tobacco Securitization Corporation Bond<br>Redemption       | AS 18.56.086  | Yes                     | DSF              | 3.41, 3.42          |
| Oil and Hazardous Substance Release Prevention<br>and Response       | AS 46.08.010  | No                      | GF               | 3.11, 3.12          |
| Oil and Hazardous Substance Release Prevention<br>Mitigation Account | AS 46.08.020(b)   | No                      | GF               | 3.11, 3.12          |
| Oil and Hazardous Substance Release Response<br>Mitigation Account   | AS 46.08.025(b)   | No                      | GF               | 3.11, 3.12          |
| Permanent Fund Dividend  | AS 43.23.045  | Yes                     | GF               | 3.11, 3.12          |
| Public Advocacy Trust  | AS 44.21.410  | Yes                     | AF               | 5.11, 5.12          |
| Public Employees' Retirement System                                  | AS 39.35.020  | Yes                     | PTF              | 5.01, 5.02          |
| Public School Trust  | AS 37.14.110  | Yes                     | PF               | 3.01, 3.02          |
| Railbelt Energy  | AS 37.05.520  | No                      | GF               | 3.11, 3.12          |
| Randolph - Shepard Small Business                                    | AS 23.15.130 and 20<br>USC 107-107(f)                     | No                      | GF               | 3.11, 3.12          |
| Real Estate Surety   | AS 08.88.450  | No                      | GF               | 3.11, 3.12          |
| Reclamation Bonding Pool   | AS 27.19.040  | Yes                     | SRF              | 3.31 - 3.33         |
| Residential Energy Conservation                                      | AS 45.89.010  | Yes                     | EAEF             | 4.21 - 4.23         |
| Retiree Health   | AS 26.05.022, AS 22.25.048,<br>AS 39.35.020, AS 14.25.010 | Yes                     | PTF              | 5.01, 5.02          |
| School   | AS 43.50.140  | Yes                     | SRF              | 3.31 - 3.33         |
| School Construction Grant  | AS 14.11.005  | No                      | GF               | 3.11, 3.12          |
| School Trust Land Sales  | Attorney General Opinion                                  | No                      | GF               | 3.11, 3.12          |
| Second Injury  | AS 23.30.040  | Yes                     | SRF              | 3.31 - 3.33         |
| Senior Care  | Ch 3, SLA 2004  | No                      | GF               | 3.11, 3.12          |
| Small Business Revolving Loan  | AS 45.95.060  | Yes                     | CAEF             | 4.11 - 4.13         |
| State Insurance Catastrophe Reserve                                  | AS 37.05.289  | No                      | GF               | 3.11, 3.12          |
| State Land Disposal Income   | AS 38.04.022(a)   | No                      | GF               | 3.11, 3.12          |
| State Land Reforestation   | AS 41.17.300  | No                      | GF               | 3.11, 3.12          |
| Storage Tank Assistance  | AS 46.03.410  | No                      | GF               | 3.11, 3.12          |
| Supplemental Benefits System (SBS)                                   | AS 39.30.150  | Yes                     | PTF              | 5.01, 5.02          |
| Surplus Property Revolving   | AS 37.05.500(a)(2)<br>and 44.68.130                       | No                      | GF               | 3.11, 3.12          |
| TAPS Rebate  | Federal PL 101-380  | No                      | GF               | 3.11, 3.12          |
| Teachers' Retirement System  | AS 14.25.010  | Yes                     | PTF              | 5.01, 5.02          |
| Tobacco Use Education and Cessation                                  | AS 37.05.580  | No                      | GF               | 3.11, 3.12          |

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|--|---|---------------------------------|--------------------------|-----------------------------|
| Training and Building  | AS 23.20.130(d)                                     | No                              | GF                       | 3.11, 3.12                  |
| Transportation Project   | Ch 114, SLA 2002                                    | Yes                             | CPF                      | 3.51, 3.52                  |
| Unemployment Compensation  | AS 23.20.130  | Yes                             | OAEF                     | 4.31 - 4.33                 |
| Unincorporated Community Capital Project<br>Matching Grant       | AS 37.06.020  | No                              | GF                       | 3.11, 3.12                  |
| University of Alaska   | AS 14.40.040  | Yes                             | DPCU                     | 1.41, 1.42                  |
| Vocational Rehabilitation Small Business<br>Enterprise Revolving | AS 23.15.130  | No                              | GF                       | 3.11, 3.12                  |
| Wage and Hour Trust  | Employers' payments for wage<br>and hour violations | Yes                             | AF                       | 5.11, 5.12                  |
| Workers' Safety and Compensation Administration<br>Account       | AS 23.05.067  | No                              | GF                       | 3.11, 3.12                  |

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**LEGEND OF ACRONYMS**

| <b>Acronym</b> | <b>Description</b>   |
|----------------|--|
| AF             | Agency Fund  |
| AHFC           | Alaska Housing Finance Corporation   |
| AIDEA          | Alaska Industrial Development and Export Authority                         |
| ANGDA          | Alaska Natural Gas Development Authority                                   |
| AS             | Alaska Statute   |
| ASTF           | Alaska Science and Technology Foundation                                   |
| CAEF           | Commercial Assistance Enterprise Fund                                      |
| CFR            | Code of Federal Regulations  |
| Ch             | Chapter  |
| CPF            | Capital Project Fund   |
| CSED           | Child Support Enforcement Division   |
| DPCU           | Discretely Presented Component Unit  |
| DSF            | Debt Service Fund  |
| DSMAF          | Deposits, Suspense, and Miscellaneous Agency Funds                         |
| EAEF           | Energy Assistance Enterprise Fund  |
| EF             | Enterprise Fund  |
| EVOS           | Exxon Valdez Oil Spill   |
| FHWA           | Federal Highway Administration   |
| FICA           | Federal Insurance Contributions Act  |
| GASBS          | Governmental Accounting Standards Board Statement                          |
| GF             | General Fund   |
| ISF            | Internal Service Fund  |
| KABTA          | Knik Arm Bridge and Toll Authority   |
| NR             | Not Reported in CAFR   |
| NTSC           | Northern Tobacco Securitization Corporation                                |
| OAEF           | Other Agencies Enterprise Fund   |
| PF             | Permanent Funds  |
| PL             | Public Law   |
| PPTF           | Private Purpose Trust Fund   |
| PSF            | Public School Fund   |
| PTF            | Pension and Other Employee Benefit Trust Fund                              |
| SBS            | Supplemental Benefits System   |
| SLA            | Session Laws of Alaska   |
| SRF            | Special Revenue Fund   |
| U of A         | University of Alaska   |
| USC            | United States Code   |
| USSTURAA       | United States Surface Transportation and Uniform Relocation Assistance Act |