

State of Alaska

Comprehensive Annual Financial Report

For the Fiscal Year
July 1, 2005 – June 30, 2006



Prepared by:
Department of Administration
Division of Finance

The FY 2006 CAFR is expected to be available on or after December 31, 2006 on our Internet web site at 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 \$19.48 per copy. This publication is required by AS 37.05.210.



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**STATE OF ALASKA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2006**

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Introductory Section





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December 15, 2006

The Honorable Sarah Palin, Governor
Members of the Legislature
Citizens of the State of Alaska

In accordance with Alaska Statute (AS) 37.05.210, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of Alaska for the fiscal year ending June 30, 2006. This report has been prepared by the Department of Administration, Division of Finance. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the state. Statistical and demographic information are included to enable the reader to gain an understanding of the state's financial activities.

INTRODUCTION

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

Internal Controls

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

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

Audits

The Division of Legislative Audit is the principal auditor of the state's reporting entity. The audit of the CAFR was conducted in accordance with generally accepted auditing standards (GAAS), and the independent auditor's report is the first item in the financial section of the CAFR and precedes the MD&A and basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2006, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

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

Management's Discussion and Analysis (MD&A)

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

PROFILE OF THE STATE OF ALASKA

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

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

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

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

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

Accounting System and Budgetary Control

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

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

Cash and Investment Management

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

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

Cash Flow and Revenue Shortfalls

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

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

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

Also contributing to the potential for a cash deficiency is the fact that the inflow of unrestricted revenues does not mirror the outflow of cash expenditures. Revenues 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.

Borrowing from the CBRF has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by including language in the appropriation act permitting the executive branch to borrow cash from the statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, FY 03, FY 04, and FY 05 to balance revenues and expenditures. As of June 30, 2006, \$5.1 billion has been appropriated from the CBRF.

Risk Management

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

General Fund Operations

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

The state's major source of unrestricted revenue is petroleum related. In FY 06, petroleum revenue was 56 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 29 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 06	Percent	FY 05	Percent
<u>Petroleum Revenue</u>				
Property Tax	\$ 54.5	0.8%	\$ 42.9	0.8%
Corporate Petroleum Income Tax	702.2	10.4%	529.7	9.4%
Severance Tax	1,202.0	17.9%	884.5	15.7%
Mineral Bonuses and Rents	11.6	0.2%	17.4	0.3%
Oil and Gas Royalties	1,772.5	26.3%	1,402.5	24.8%
Total Petroleum Revenue	3,742.8	55.6%	2,877.0	51.0%
<u>Nonpetroleum Revenue</u>				
Taxes	375.2	5.6%	277.4	4.9%
Licenses and Permits	102.1	1.5%	96.0	1.6%
Charges for Services	158.2	2.4%	152.6	2.7%
Fines and Forfeitures	10.4	0.2%	10.9	0.2%
Rents and Royalties	18.2	0.3%	16.0	0.3%
Interest and Investment Income	179.0	2.6%	147.4	2.6%
Other Revenue	173.5	2.5%	145.4	2.6%
Total Nonpetroleum Revenue	1,016.6	15.1%	845.7	14.9%
Federal Revenue	1,970.4	29.3%	1,924.9	34.1%
Total Revenues	\$ 6,729.8	100.0%	\$ 5,647.6	100.0%

The total expenditures charged against General Fund appropriations during FY 06 amounted to \$6,215.8 million, an increase of \$686.1 million from FY 05. These expenditures by department are compared with the prior year in the following tabulation (in thousands):

Department	FY 06	Percent	FY 05	Percent
Office of the Governor	\$ 46,623	0.8%	\$ 45,358	0.8%
Administration	112,222	1.8%	92,132	1.7%
Law	57,656	0.9%	38,862	0.7%
Revenue	900,751	14.5%	622,963	11.3%
Education and Early Development	1,157,657	18.6%	1,026,417	18.5%
Health and Social Services	1,724,638	27.7%	1,667,005	30.0%
Labor and Workforce Development	115,303	1.9%	106,964	1.9%
Commerce, Community, and Economic Development	148,819	2.4%	120,219	2.2%
Military and Veterans' Affairs	72,004	1.2%	58,155	1.1%
Natural Resources	129,427	2.1%	160,971	2.9%
Fish and Game	77,076	1.2%	67,432	1.2%
Public Safety	119,081	1.9%	115,454	2.1%
Environmental Conservation	121,906	2.0%	116,121	2.1%
Corrections	194,019	3.1%	174,897	3.2%
Transportation and Public Facilities	856,082	13.8%	769,828	13.9%
Legislature	46,083	0.7%	37,192	0.7%
Debt Service	12,687	0.2%	14,026	0.3%
Alaska Court System	66,308	1.1%	60,166	1.1%
University	257,435	4.1%	235,495	4.3%
Total Expenditures	\$ 6,215,777	100.0%	\$ 5,529,657	100.0%

Public Employees' and Teachers' Retirement Systems Pension Funds

Net assets at June 30, 2006, of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$9.4 billion and \$4.3 billion respectively. The funding status for PERS and TRS as of the June 30, 2004, actuarial valuations, indicated the actuarial accrued liabilities were 70.2 percent funded for PERS, and 62.8 percent funded for TRS. Further information on these and other pension funds, including the Supplemental Benefits System and Deferred Compensation plans, can be found in Notes 7, 8, and 9 to the basic financial statements.

Economic Condition and Outlook

As mentioned earlier, the state's major source of revenue is petroleum related. The price of oil has had its ups and downs over the years, and FY 06 was a good year. The Department of Revenue projected Alaska North Slope West Coast price of \$58.72 per barrel for FY 06 in its spring 2006 Revenue Sources Book. Actual Alaska North Slope oil prices were \$2 per barrel over that, averaging \$60.80 per barrel for the fiscal year. Record high oil prices were set in FY 06; Alaska North Slope prices climbed by forty percent from the prior year. Oil price volatility continues however, and price fluctuations will persist as Middle-East tensions and concerns about crude oil supply disruptions endure.

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

The higher than anticipated petroleum revenues collected in FY 06 could have resulted in replenishing the Constitutional Budget Reserve Fund for amounts previously borrowed as outlined in section 17(d) of Article 9 of the Alaska Constitution. Instead the surplus was appropriated for capital projects and education. The FY 07 capital project budget totaled \$748 million in non-federal funds, and the Public Education Fund, which was created in FY 2005, received transfers of \$1.5 billion from the General Fund during FY 06.

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

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alaska for its CAFR as of and for the fiscal year ended June 30, 2005. This is the third year the State of Alaska has received this award on the CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports. It represents a significant accomplishment by a government and its management.

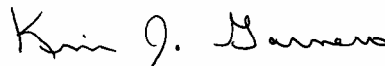
To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2006 conforms to the award criteria, and we are submitting it to the GFOA for review.

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

Sincerely,



Kevin Brooks
Acting 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, 2005

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.



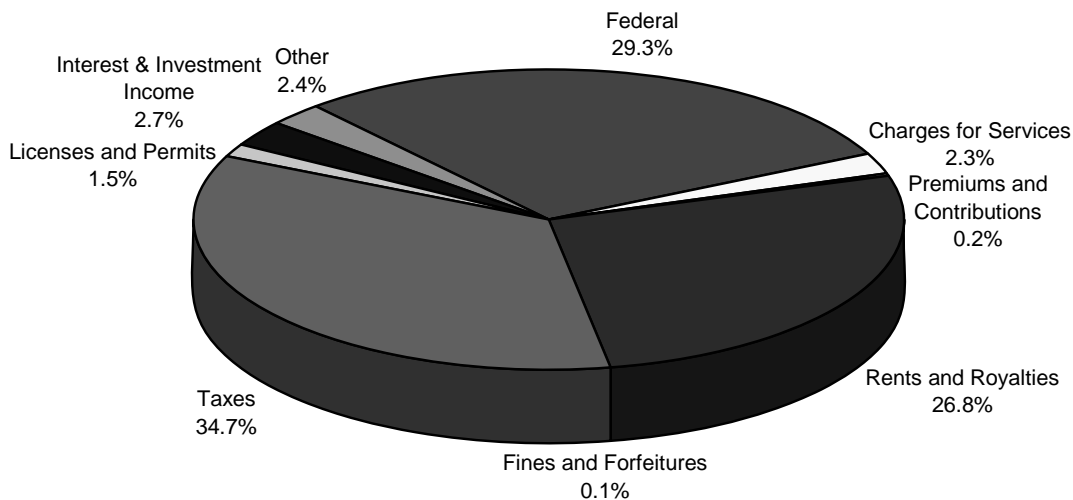
President

Executive Director

STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

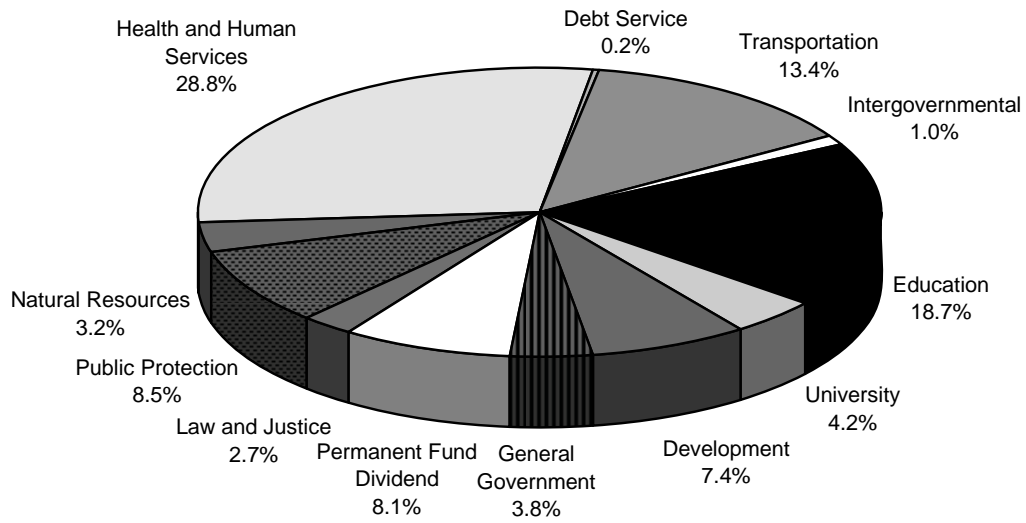
\$6,730
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

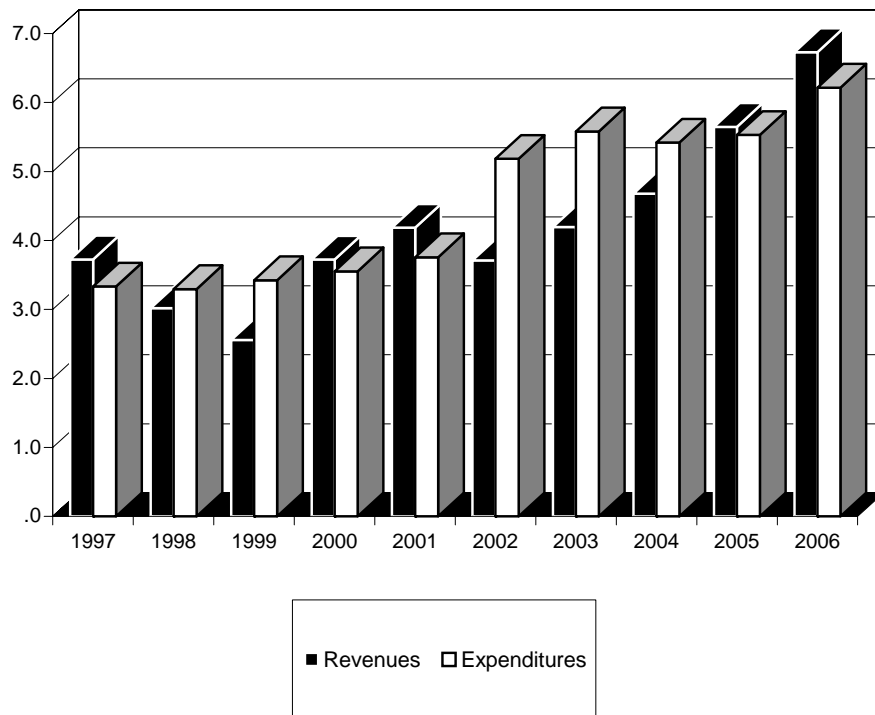
\$6,216
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

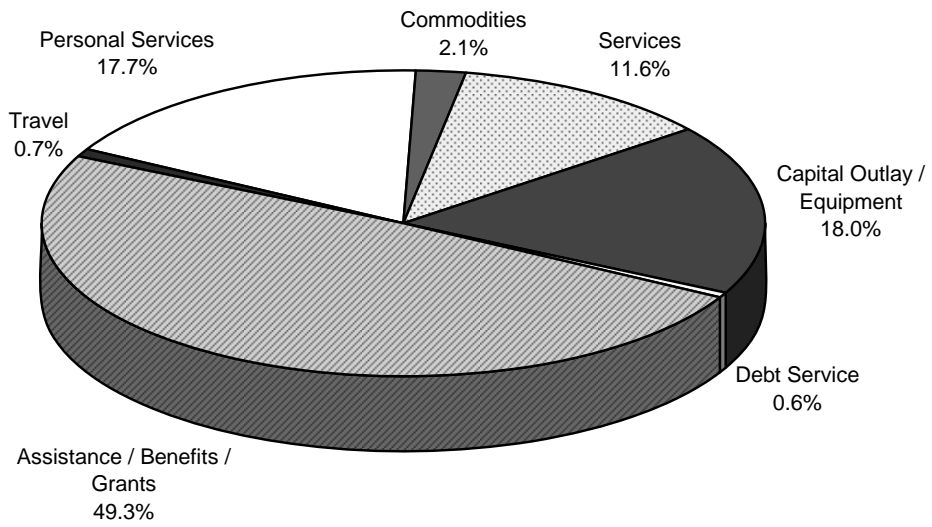
TEN YEAR COMPARISON
FOR THE FISCAL YEARS 1997 THROUGH 2006

(Stated in Billions)



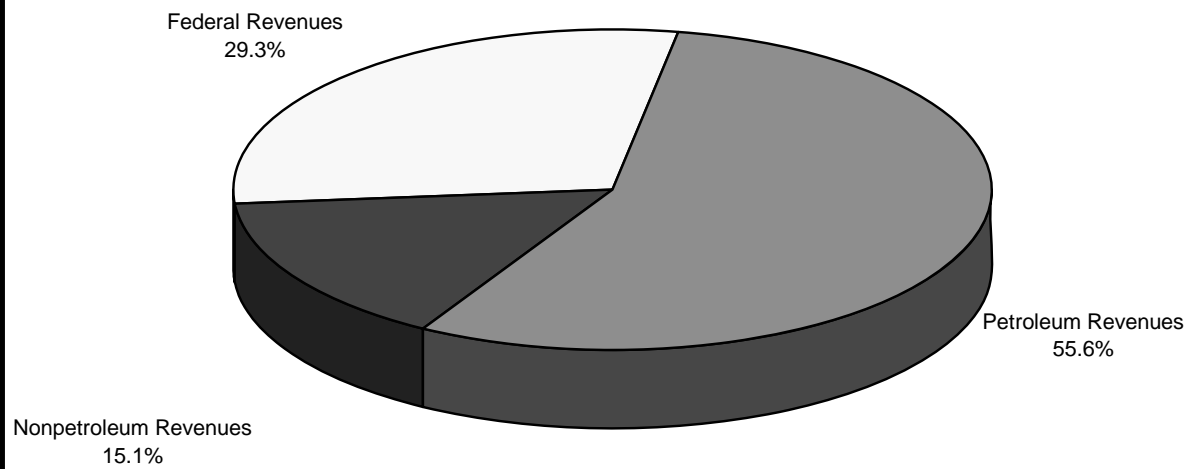
STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



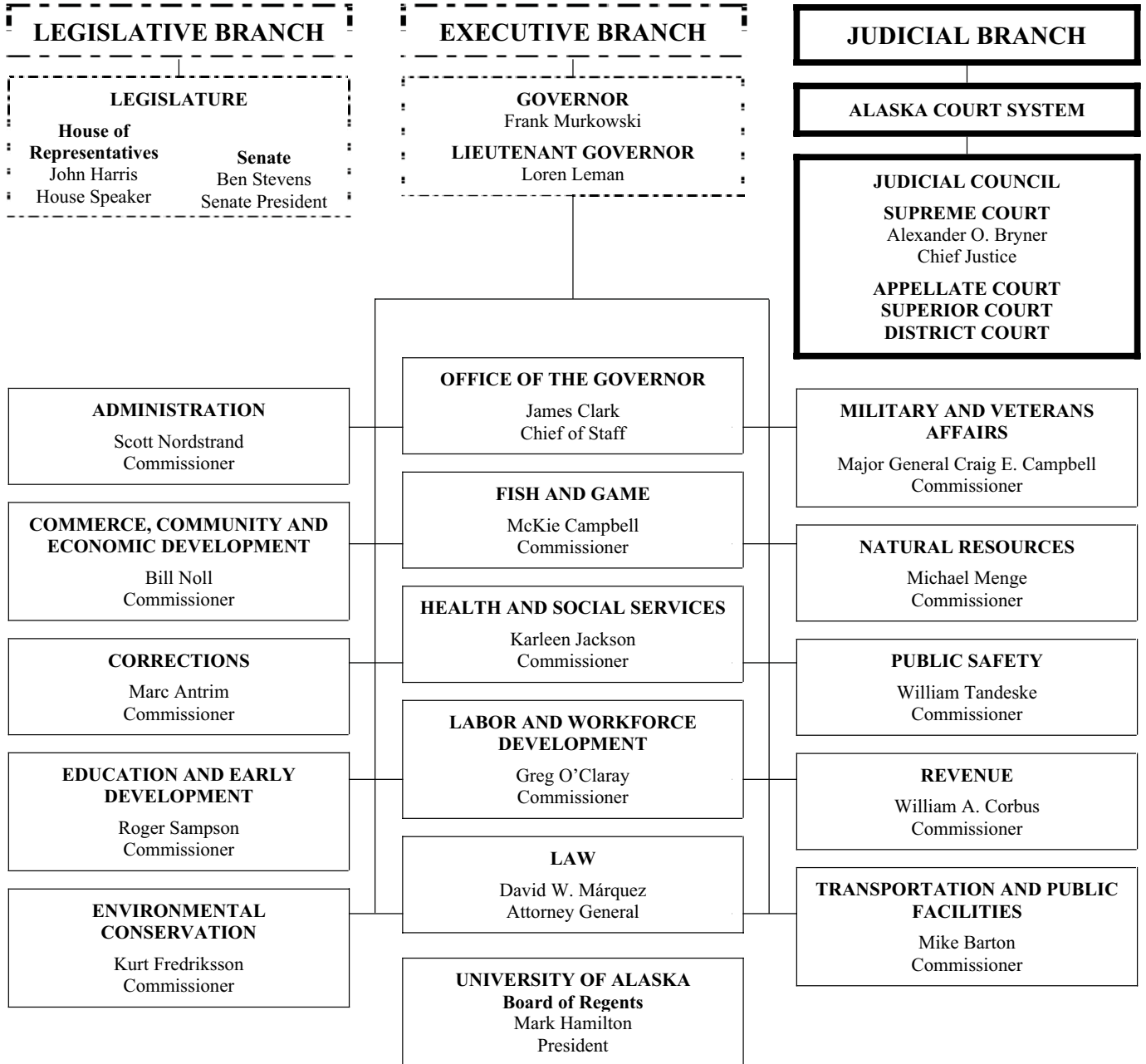
STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



STATE OF ALASKA ORGANIZATION CHART

(As of June 30, 2006)



- 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 (PBF) facilities, non-PBF facility leases, and space allotment); Risk Management, Enterprise Technology Services (telecommunications and computer services). Services to the Public: Motor Vehicles; Office of Public Advocacy; Public Defender Agency; Alaska Public Offices Commission; Oil and Gas Conservation Commission; Alaska Public Broadcasting Commission; Office of Administrative Hearings; and the Violent Crimes and Compensation Board.

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

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

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

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

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

CORRECTIONS

The Department of Corrections is responsible for public safety through the incarceration and supervision of offenders. The department operates 12 correctional facilities and jails that provide secure incarceration and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and oversight of 15 small community jails. Also included in the department is the Alaska Board of Parole, a quasi-judicial board that makes all parole related decisions.

EDUCATION AND EARLY DEVELOPMENT

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

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

ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation is the state regulatory agency responsible for protection of the environment and protection of citizens from unsafe sanitary practices.

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

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

FISH AND GAME

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

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

HEALTH AND SOCIAL SERVICES

The mission of the Department of Health and Social Services is to promote and protect the health and well-being of Alaskans. The Department's primary services include operation of the Alaska Veterans and Pioneers Homes; support services for seniors and those experiencing disabilities; disease surveillance and control to ensure the public's health; management of health care services and promotion of access to health care for low-income Alaskans; child protection services, foster care, and family support to prevent maltreatment of children and youth; operation of juvenile detention facilities, probation and restorative justice services; facilitation of a behavioral health system of care to include prevention and treatment of mental health disorders and substance abuse; operation of Alaska Psychiatric Institute to support recovery for those suffering from acute behavioral disorders; and services to assist low-income Alaskans in achieving maximal self-sufficiency and self-responsibility. Also included in the Department are the Governor's Council on Disabilities and Special Education; Alaska Board on Alcohol and Drug Abuse; Alaska Mental

Health Advisory Board; Alaska Commission on Aging; Office of Faith-based and Community Initiatives; Medical Care Advisory Board; and Suicide Prevention Council.

LABOR AND WORKFORCE

DEVELOPMENT

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

LAW

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

MILITARY AND VETERANS AFFAIRS

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

NATURAL RESOURCES

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 92.1 million acres of uplands, 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 re-

sources are the basic asset of our economy; stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic values; implement efficiencies and economies in government; deliver essential services; and stimulate local initiative and personal responsibility.

Operationally, the department manages seven divisions located in 34 Alaska communities, the Joint Pipeline Office, the Office of Habitat Management and Permitting, the Office of Project Management and Permitting, the Natural Resource Conservation and Development Board, and the Mental Health Trust Land Office. The department is responsible for the two largest oil and gas fields in North America; a park system that contains one-third of all the state park lands in the United States; 40 percent of the nation's fresh water; fire suppression management over 134 million acres; forest resource management in two state forests totaling two million acres; mineral management involving 40,018 mining claims; and an agricultural program that encompasses 640 farms.

PUBLIC SAFETY

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

REVENUE

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

TRANSPORTATION AND PUBLIC FACILITIES

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

ALASKA STATE LEGISLATURE

Twenty-Fourth Legislature, Second Session (2006)

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

LEADERSHIP

STATE SENATE
Ben Stevens, Senate President

HOUSE OF REPRESENTATIVES
John Harris, House Speaker

FINANCE COMMITTEES

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

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

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

Members:
Richard Foster, Mike Hawker, Jim Holm,
Reggie Joule, Mike Kelly, Beth Kerttula
Carl Moses, and Bruce Weyhrauch



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Financial Section





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Independent Auditor's Report

Citizens of the State of Alaska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and the Component Units, except for the Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the government-wide financial statements and total assets, fund balances and revenues or additions to the fund financial statements as follows:

<u>Government-wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	78%	76%	35%
Component Units	95%	91%	97%
 <u>Fund Financial Statements</u>			
Governmental Funds – Alaska Permanent Fund	100%	100%	100%
Fiduciary Funds – Pension and Other Employee Trust Funds	100%	100%	100%
Component Units	95%	91%	97%

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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedule, and the corresponding notes as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

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



Pat Davidson, CPA
Legislative Auditor

November 29, 2006

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, 2006. 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 06 by \$44.4 billion (net assets). Of this amount, \$5.2 billion is invested in capital assets, \$31.3 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$30.3 billion), and unrestricted net assets are \$7.9 billion. Unrestricted net assets may be used to meet the state's ongoing obligations to citizens and creditors.
- The state's total net assets increased by \$4.4 billion. This increase is primarily attributable to higher taxes and royalties from petroleum production and interest and investment income of the Alaska Permanent Fund. See page 10 for a discussion of the Alaska Permanent Fund.

Fund level

- As of the close of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$38.9 billion, with \$2.7 billion unreserved fund balance and a fund balance reserved for specific purposes of \$36.2 billion. The Alaska Permanent Fund principal is \$30.3 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 \$124 thousand.

Long-term debt

- The state's total long-term debt increased by \$375 million (22 percent) during the current fiscal year. The key factors in this increase include the issuance of the sport fishing revenue bonds and International Airports revenue bonds, new certificates of participation related to the state virology lab, deferred revenue activity related to federal revenues and royalty payments, and the recognition of the net pension obligation.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The fund financial statements are statement numbers 1.11 through 1.42 and provide detailed information about the major individual funds. The state has three major funds, the General Fund, the Alaska Permanent Fund, which are included in the governmental funds' statements, and the International Airports Fund, which is included in the business-type activities funds' statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Alaska, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the state can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. We have also included the discretely presented component units in the fund financial statements and include detailed information on the three major component units, the University of Alaska, Alaska Housing Finance Corporation, and Alaska Industrial Development and Export Authority.

Governmental funds – Most of the state's basic services are reported in the governmental funds. Governmental funds include the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Governmental fund financial statement focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the state's programs. These funds are reported using modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund financial statements are statement numbers 1.11 through 1.14.

As mentioned earlier, the state has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 96.9 percent of total government-wide cash and investments and 86 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska with 5.8 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the component unit statement of activities (statement number 1.42).

Additional Required Supplementary Information

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

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by \$44.4 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (74 percent) reflects its investments held in the Alaska Permanent Fund. This increase for the Alaska

Permanent Fund is mainly attributable to the financial markets, in particular interest income, dividends, and real estate income were higher in FY 06 than in prior fiscal years. However, the majority of these assets are not available for future spending since the principal of the fund (\$30.3 billion) may not be spent.

The remainder of the state's net assets (26 percent) represents amounts invested in capital assets net of related debt (\$5.3 billion), resources that are subject to external restrictions of how they may be used (\$.9 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$5.3 billion).

Net Assets
 (Stated in millions)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Current and Other Noncurrent Assets	\$ 49,770	\$ 41,392	\$ 1,301	\$ 957	\$ 51,071	\$ 42,349
Capital Assets	5,147	5,041	840	775	5,987	5,816
Total Assets	54,917	46,433	2,141	1,732	57,058	48,165
Long-term Liabilities	1,433	1,295	656	417	2,089	1,712
Other Liabilities	10,452	6,362	81	22	10,533	6,384
Total Liabilities	11,885	7,657	737	439	12,622	8,096
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	4,721	4,655	536	484	5,257	5,139
Restricted	30,772	28,936	527	467	31,299	29,403
Unrestricted	7,539	5,185	341	342	7,880	5,527
Total Net Assets	\$ 43,032	\$ 38,776	\$ 1,404	\$ 1,293	\$ 44,436	\$ 40,069

The net assets of governmental activities increased \$4,381 million and business-type activities increased \$110 million, before prior period adjustments and restatements. The increase for governmental activities is primarily due to higher petroleum revenues and the increase in Alaska Permanent Fund net assets. The increase in business-type activities is primarily due to the increase in net assets of the International Airports, and an increase in revenue received by and a reduction in benefits paid by the Unemployment Compensation Fund.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the state's net assets changed during FY 06.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Revenues						
Program Revenues						
Charges for Services	\$ 2,725	\$ 2,220	\$ 282	\$ 258	\$ 3,007	\$ 2,478
Operating Grants	1,460	1,401	19	17	1,479	1,418
Capital Grants	619	642	74	84	693	726
General Revenues						
Taxes	2,417	1,794	-	-	2,417	1,794
Interest and Investment earnings	3,313	2,841	3	5	3,316	2,846
Payments In from Component Units	104	121	-	-	104	121
Other Revenues	81	41	1	1	82	42
Total Revenues	10,719	9,060	379	365	11,098	9,425
Expenses						
General Government	292	255	-	-	292	255
Alaska Permanent Fund Dividend	505	552	-	-	505	552
Education and University	1,523	1,388	-	-	1,523	1,388
Health and Human Services	1,769	1,832	-	-	1,769	1,832
Law and Justice	176	148	-	-	176	148
Public Protection	536	518	-	-	536	518
Natural Resources	264	243	-	-	264	243
Development	477	130	1	-	478	130
Transportation	711	762	-	-	711	762
Intergovernmental	58	43	-	-	58	43
Debt Service	-	-	-	-	-	-
Interest Expense	32	32	-	-	32	32
Loans	-	-	12	9	12	9
Unemployment Compensation	-	-	130	148	130	148
Airports	-	-	121	99	121	99
Total Expenses	6,343	5,903	264	256	6,607	6,159
Excess (Deficiency) of Revenues Over Expenditures	4,376	3,157	115	109	4,491	3,266
Transfers	5	5	(5)	(5)	-	-
Special Items:						
ITBE/ASTF Liquidation	-	-	-	-	-	-
Change in Net Assets	4,381	3,162	110	104	4,491	3,266
Net Assets - Beginning of Year	38,776	34,918	1,294	1,189	40,070	36,107
Prior Period Adjustment	(125)	(925)	-	-	(125)	(925)
Restatement for Historical Infrastructure	-	1,621	-	-	-	1,621
Net Assets - End of Year	\$ 43,032	\$ 38,776	\$ 1,404	\$ 1,293	\$ 44,436	\$ 40,069

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 \$38.9 billion, an increase of \$4,161 million in comparison with the prior year. This increase is a combination of the Alaska Permanent Fund investments and the increase within the General Fund from petroleum revenues. The unreserved fund balance, which is normally available for spending at the government's discretion was a balance of \$2.7 billion, consisting of a deficit of \$124 million in the General Fund, \$2,585 million in the Alaska Permanent Fund (earnings reserve account), \$141 million in capital projects funds, and \$62 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 (\$30.3 billion), 2) for the Constitutional Budget Reserve Fund (\$5.1 billion), 3) to liquidate contracts and purchase orders of the prior period (\$394 million), or 4) for a variety of other restricted purposes (\$397 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 \$124 million, while total fund balance reached \$5.3 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 2 percent of total General Fund expenditures, while total fund balance represents 86 percent of that same amount.

The fund balance of the state's General Fund increased by \$1,254 million during the current fiscal year. The key factor in this increase is higher oil prices resulting in increased taxes and royalties. Most of this surplus was appropriated to the Public Education Fund during FY 06. There was no appropriated borrowing from the Constitutional Budget Reserve Fund.

General Fund revenues for FY 06 were \$6.7 billion, an increase of \$1.1 billion compared to revenues of \$5.6 billion for FY 05. Revenues by source for FY 06 are compared to FY 05 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 06</u>	<u>Percent</u>	<u>FY 05</u>	<u>Percent</u>
Taxes	\$ 2,333.9	34.7%	\$ 1,734.5	30.8%
Rents and Royalties	1,802.3	26.8%	1,435.9	25.4%
Interest and Investment Income	179.0	2.6%	147.4	2.6%
Federal	1,970.4	29.3%	1,924.9	34.1%
Miscellaneous	444.2	6.6%	404.9	7.1%
Total Revenue	<u>\$ 6,729.8</u>	<u>100.0%</u>	<u>\$ 5,647.6</u>	<u>100.0%</u>

The primary components of this revenue increase are petroleum-related taxes and royalties (\$866 million).

Alaska Permanent Fund

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

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

In FY06 the Board of Trustees (Trustees) of the Alaska Permanent Fund Corporation adopted new investment regulations as directed by House Bill 215, passed earlier in the year by the Alaska Legislature. The bill removed the list of allowed fund investments from Alaska statutes, and required the Trustees to maintain the investment list in regulation, guided by the prudent investor rule. New investment regulations were passed by the Trustees in November 2005, and became effective January 1, 2006.

The fund is made up of two parts.

- **Reserved Fund Balances:** The reserved fund balances, or principal, include the contributions and appropriations, which are the main body of the trust. At June 30, 2006, this amounted to \$26.1 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$9.2 billion in dedicated mineral revenues; \$9.9 billion of fund realized earnings transferred to principal for inflation proofing; and \$7.0 billion in additional deposits approved by special legislative appropriation.

Accumulated unrealized appreciation on invested assets is also part of the reserved fund balances (see 2003 Attorney General Opinion, June 18; 663-03-0153). The balance of the unrealized appreciation at the end of the fiscal year amounted to \$4.2 billion.

- **Unreserved Fund Balances:** The unreserved fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2006, realized earnings have amounted to \$31.5 billion. Of this amount \$14.3 billion has been paid out for dividends, \$9.9 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$.4 billion has been paid out to the general fund, and \$2.6 billion remains in the fund at June 30, 2006 in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$773 million increase in appropriations (or 7 percent) and can be briefly summarized as follows:

- \$59 million allocated to health and human services
- \$55 million allocated to public protection
- \$343 million allocated to development
- \$221 million allocated to transportation
- The balance is allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$59 million was to be funded out of an increase in federal grants in aid, another \$246 million from interagency receipts, with the balance coming from other financing sources.

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

Capital Assets and Debt Administration

Capital assets. The state's investment (net of related debt) in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$5.3 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 06 totaled \$272 million for governmental activities and \$36 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Land	\$ 690	\$ 680	\$ 30	\$ 30	\$ 720	\$ 710
Buildings	732	675	465	434	1,197	1,109
Equipment	387	376	13	14	400	390
Infrastructure	2,131	1,888	271	226	2,402	2,114
Construction in Progress	1,207	1,422	62	71	1,269	1,493
Total Capital Assets	\$ 5,147	\$ 5,041	\$ 841	\$ 775	\$ 5,988	\$ 5,816

In FY 06, infrastructure increased by \$288 million, with a related reduction in construction in progress. The Joint Readiness Center was completed and put into use in FY 06, which accounts for some of the increase for buildings. Additional information on the state's capital assets can be found in Note 5 in the notes to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,356 million. Of this amount, \$434 million was general obligation bonds, and \$276 million of revenue bonds payable is comprised of \$208 million issued by the Northern Tobacco Securitization Corporation (NTSC), and \$68 million of sport fishing revenue bonds. The general obligation bonds are secured by the full faith, credit, and resources of the state, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$646 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 06	FY 05	FY 06	FY 05	FY 06	FY 05
Revenue Bonds Payable	\$ 276	\$ 213	\$ 646	\$ 412	\$ 922	\$ 625
General Obligation Debt	434	463	-	-	434	463
Notes Payable	-	-	-	-	-	-
Capital Leases Payable	141	148	-	-	141	148
Deferred Revenues and Advances	194	160	5	5	199	165
Certificates of Participation	75	62	-	-	75	62
Compensated Absences	125	120	-	-	125	120
Claims and Judgments	83	72	-	-	83	72
Other Noncurrent Liabilities	1	1	1	-	2	1
Net Pension Obligation	103	56	3	-	106	56
Total	<u>\$ 1,432</u>	<u>\$ 1,295</u>	<u>\$ 655</u>	<u>\$ 417</u>	<u>\$ 2,087</u>	<u>\$ 1,712</u>

The state's total debt increased by \$375 million (22 percent) during the current fiscal year. This increase is mainly attributable to the issuance of additional revenue bonds within the International Airport Fund and sport fishing revenue bonds. Principal payments on the General Obligation Bonds were made during the year reducing the outstanding balance. Deferred revenues and advances increase results from credits on royalty payments received for FY 07. Certificates of participation were also issued for the state virology lab.

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

Significant Fact

- In FY 06, the State of Alaska recognized a net pension obligation (NPO) for the second consecutive year. The NPO is the difference between the actuarially determined rate and the contributions actually paid. The NPO for FY 06 was \$50 million, which when added to the FY 05 amount results in a total NPO of \$103 million. Although the state paid its required contribution for participating in the Public Employee Retirement System (PERS), the contribution rates are based on a capped rate, an annual maximum increase of 5 percent per year. This caused the required rate to be less than the actuarial determined rate, resulting in a NPO for these years.

Economic Factors and Next Year's Budgets and Rates

- The state's average unemployment rate for FY 06 was 6.8 percent, which compares favorably to the average unemployment rate for FY 05 of 7.0 percent. Alaska's five year average (2002 to 2006) was 7.1 percent. The United States unemployment rate at fiscal year end was 4.8 percent.

- The state's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for just over 56 percent of total revenue, with federal revenue making up another 29 percent, and the balance coming from other sources. As a result, the state's budget is structured around these two revenue sources. Although oil production has declined, the high price per barrel more than made up for this reduction, resulting in an increase of \$865.8 million in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the state budget.
- FY 06 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 869 thousand barrels per day. This is 65 thousand barrels per day less than in the prior year. FY 06 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 57.6 percent.
- The State of Alaska FY 06 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 (\$846/resident, total \$505 million in FY 06), 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, 2006
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 39,991,239	\$ 536,746	\$ 40,527,985	\$ 2,462,639
Accounts Receivable - Net	700,485	17,652	718,137	48,060
Interest and Dividends Receivable	127,885	29,623	157,508	34,567
Internal Balances	28,411	(28,411)	0	
Due from Primary Government			0	10,591
Due from Component Units	21,823		21,823	1,664
Due from Other Governments	462,736	6,279	469,015	35,859
Loans, Notes, and Bonds Receivable	18,678	290,003	308,681	4,069,244
Inventories	15,165		15,165	29,557
Repossessed Property		4,305	4,305	
Net Investment in Direct Financing Leases			0	297,418
Investments in Projects, Partnerships, or Corporations		7,759	7,759	53,537
Restricted Assets	27,781	373,466	401,247	1,859,754
Securities Lending Collateral	8,356,614	62,708	8,419,322	175,713
Other Assets	18,886	657	19,543	149,947
Capital Assets:				
Equipment, Net of Depreciation	387,192	13,673	400,865	218,409
Buildings, Net of Depreciation	731,947	464,408	1,196,355	643,417
Infrastructure, Net of Depreciation	2,131,120	269,854	2,400,974	492,405
Land	690,311	29,738	720,049	63,578
Construction in Progress	1,206,621	61,950	1,268,571	298,817
Total Assets	54,916,894	2,140,410	57,057,304	10,945,176
LIABILITIES				
Accounts Payable and Accrued Liabilities	2,083,096	7,579	2,090,675	90,686
Obligations Under Securities Lending	8,356,614	62,708	8,419,322	175,713
Due to Primary Government			0	109,755
Due to Component Units	1,665		1,665	1,009
Due to Other Governments	139	5,406	5,545	2
Interest Payable	10,424	5,255	15,679	40,161
Other Current Liabilities	14	303	317	280,085
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, and Compensated Absences	161,946	6	161,952	2,825
Unearned and Deferred Revenue	164,261	4,942	169,203	10,652
Notes, Bonds, and Leases Payable	55,381	12,770	68,151	322,126
Other Long-term Debt			0	5,800
Other Noncurrent Liabilities	846		846	5,719
Portion Due or Payable After One Year:				
Claims, Judgments, and Compensated Absences	45,837		45,837	
Unearned and Deferred Revenue	30,001		30,001	366,351
Notes, Bonds, and Leases Payable	870,315	633,468	1,503,783	4,302,336
Other Long-term Debt			0	5,916
Other Noncurrent Liabilities	103,879	4,324	108,203	62,652
Total Liabilities	11,884,418	736,761	12,621,179	5,781,788
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	4,721,066	535,585	5,256,651	1,091,089
Restricted for:				
Permanent Funds				
Nonexpendable	30,646,465		30,646,465	353,566
Expendable	10,086		10,086	90,607
Education	13,603		13,603	411,228
Conservation, Environment, and Natural Resources	29,310		29,310	
Unemployment Compensation		233,325	233,325	
Health and Human Services		268,005	268,005	
Debt Service	28,670	14,999	43,669	714,236
Other Purposes	44,156	11,180	55,336	93,405
Unrestricted	7,539,120	340,555	7,879,675	2,409,257
Total Net Assets	\$ 43,032,476	\$ 1,403,649	\$ 44,436,125	\$ 5,163,388

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, 2006
(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
Primary Government:				
Governmental Activities:				
General Government	\$ 292,265	\$ 13,908	\$ 20,498	\$ 3,869
Alaska Permanent Fund Dividend	505,093			
Education	1,251,111	2,895	182,253	2,958
University	271,687			
Health and Human Services	1,768,611	29,774	974,984	57,081
Law and Justice	175,878	9,736	18,910	48
Public Protection	535,877	138,192	67,309	32,307
Natural Resources	263,777	2,460,023	91,432	27,492
Development	477,249	6,840	81,295	1,372
Transportation	711,351	63,257	6,823	485,385
Intergovernmental Revenue Sharing	57,598		15,353	(1)
Debt Service	32,152		1,288	8,043
Total Governmental Activities	6,342,649	2,724,625	1,460,145	618,554
Business-type Activities:				
Loans	12,285	9,116	7,145	9,287
Unemployment Compensation	130,487	168,942	10,746	
Airports	120,879	103,999	949	53,143
Development	598		422	11,140
Total Business-type Activities	264,249	282,057	19,262	73,570
Total Primary Government	\$ 6,606,898	\$ 3,006,682	\$ 1,479,407	\$ 692,124
Component Units:				
University of Alaska	\$ 638,387	\$ 132,200	\$ 212,721	\$ 6,824
Alaska Housing Finance Corporation	319,099	200,148	54,596	12,117
Alaska Industrial Development and Export Authority	38,442	44,882	1,410	1,643
Nonmajor Component Units	303,930	208,258	81,433	29,299
Total Component Units	\$ 1,299,858	\$ 585,488	\$ 350,160	\$ 49,883

General Revenues:

Taxes:
Severance Taxes
Selective Sales/Use
Income Taxes
Property Taxes
Other Taxes
Interest and Investment Income
Tobacco Settlement
Payments In from Component Units
Payments In from Primary Government
Other Revenues
Transfers - Internal Activity
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Net Assets - End of Year

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

STATEMENT 1.02

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (253,990)	\$	\$ (253,990)	\$
(505,093)		(505,093)	
(1,063,005)		(1,063,005)	
(271,687)		(271,687)	
(706,772)		(706,772)	
(147,184)		(147,184)	
(298,069)		(298,069)	
2,315,170		2,315,170	
(387,742)		(387,742)	
(155,886)		(155,886)	
(42,246)		(42,246)	
(22,821)		(22,821)	
<u>(1,539,325)</u>		<u>(1,539,325)</u>	
	13,263	13,263	
	49,201	49,201	
	37,212	37,212	
	10,964	10,964	
	<u>110,640</u>	<u>110,640</u>	
<u>(1,539,325)</u>	<u>110,640</u>	<u>(1,428,685)</u>	
			(286,642)
			(52,238)
			9,493
			15,060
			<u>(314,327)</u>
1,332,880		1,332,880	
196,605		196,605	
821,664		821,664	
54,508		54,508	
11,865		11,865	
3,312,907	2,935	3,315,842	149,024
19,975		19,975	
104,556		104,556	4,662
			0
60,857	1,393	62,250	573,854
4,894	(4,894)	0	3,053
<u>5,920,711</u>	<u>(566)</u>	<u>5,920,145</u>	<u>730,593</u>
4,381,386	110,074	4,491,460	416,266
38,776,131	1,293,332	40,069,463	4,743,842
(125,041)	243	(124,798)	3,280
<u>\$ 43,032,476</u>	<u>\$ 1,403,649</u>	<u>\$ 44,436,125</u>	<u>\$ 5,163,388</u>



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Governmental Funds Financial Statements

MAJOR FUNDS

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

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

NONMAJOR FUNDS

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

Public School Trust Fund (Fund 34010) – AS 37.14.110 – Administered by the Departments of Revenue and Natural Resources. The principal consists of the balance of the public school permanent fund on July 1, 1978 and one-half of one percent of the receipts derived from the management of state land (AS 37.14.150). 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, 2006
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 4,435,656	\$ 34,833,091	\$ 675,858	\$ 39,944,605
Accounts Receivable - Net	346,525	258,028	4,273	608,826
Interest and Dividends Receivable	8,315	117,811	1,696	127,822
Due from Other Funds	773,284		837	774,121
Due from Component Units	19,876		1,947	21,823
Due from Other Governments	456,232		4,964	461,196
Loans, Notes, and Bonds Receivable	18,604		74	18,678
Inventories	12,424			12,424
Securities Lending Collateral	865,459	7,466,539	17,596	8,349,594
Other Assets	12,650		33	12,683
Total Assets	\$ 6,949,025	\$ 42,675,469	\$ 707,278	\$ 50,331,772
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 482,676	\$ 1,573,845	\$ 11,153	\$ 2,067,674
Obligations Under Securities Lending	865,459	7,466,539	17,596	8,349,594
Due to Other Funds	7,202	725,366	11,999	744,567
Due to Component Units	1,653		12	1,665
Due to Other Governments	139			139
Unearned and Deferred Revenue	267,745		721	268,466
Other Liabilities	851		328	1,179
Total Liabilities	1,625,725	9,765,750	41,809	11,433,284
Fund Balances:				
Reserved:				
Encumbrances	289,710		103,885	393,595
Nonliquid Assets	5,119,467			5,119,467
Debt Service			35,909	35,909
Other Purposes	37,908	30,324,951	323,321	30,686,180
Unreserved:				
General Fund	(123,785)			(123,785)
Special Revenue Funds			51,662	51,662
Capital Projects Funds			140,606	140,606
Permanent Funds		2,584,768	10,086	2,594,854
Total Fund Balances	5,323,300	32,909,719	665,469	38,898,488
Total Liabilities and Fund Balances	\$ 6,949,025	\$ 42,675,469	\$ 707,278	\$ 50,331,772

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, 2006
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds		\$ 38,898,488
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)		
These assets consist of:		
Equipment, net of depreciation	290,193	
Buildings, net of depreciation	693,674	
Infrastructure, net of depreciation	2,131,120	
Land	690,311	
Construction in progress	<u>1,200,642</u>	5,005,940
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)		
		203,675
Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.		
		160,130
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	(140,162)	
Compensated absences	(122,003)	
Claims and judgments (net of federal reimbursement)	(81,628)	
Pension benefit obligation	<u>(101,876)</u>	(445,669)
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	(785,026)	
Unamortized costs of issuance	5,299	
Accrued interest receivable	63	
Accrued interest payable	<u>(10,424)</u>	(790,088)
Net Assets of Governmental Activities		<u><u>\$ 43,032,476</u></u>

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, 2006
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,333,869	\$	\$ 27,394	\$ 2,361,263
Licenses and Permits	102,094		27,510	129,604
Charges for Services	158,204		1,206	159,410
Fines and Forfeitures	10,368		73	10,441
Rents and Royalties	1,802,250	599,395	16,524	2,418,169
Premiums and Contributions	11,567		6,339	17,906
Interest and Investment Income	179,024	3,135,330	24,773	3,339,127
Federal Grants in Aid	1,970,439		27,128	1,997,567
Payments In from Component Units	104,555			104,555
Other Revenues	57,418		16,745	74,163
Total Revenues	<u>6,729,788</u>	<u>3,734,725</u>	<u>147,692</u>	<u>10,612,205</u>
EXPENDITURES				
Current:				
General Government	234,921	57,301	1,929	294,151
Alaska Permanent Fund Dividend	505,093			505,093
Education	1,164,369		63,154	1,227,523
University	258,942		13,251	272,193
Health and Human Services	1,789,841		4,598	1,794,439
Law and Justice	169,236	1,477	472	171,185
Public Protection	526,396		936	527,332
Natural Resources	198,556	4,252	56,279	259,087
Development	460,785		17,160	477,945
Transportation	833,547		61,024	894,571
Intergovernmental Revenue Sharing	59,477			59,477
Debt Service:				
Principal	10,875		29,090	39,965
Interest and Other Charges	3,739		34,690	38,429
Total Expenditures	<u>6,215,777</u>	<u>63,030</u>	<u>282,583</u>	<u>6,561,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>514,011</u>	<u>3,671,695</u>	<u>(134,891)</u>	<u>4,050,815</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	24,000		68,060	92,060
Bonds Issued Premium	562		294	856
Other Debt Proceeds	1,957			1,957
Capital Leases	8,628			8,628
Transfers In from Other Funds	761,190	1,722	44,181	807,093
Transfers (Out to) Other Funds	(57,176)	(725,366)	(18,622)	(801,164)
Total Other Financing Sources and Uses	<u>739,161</u>	<u>(723,644)</u>	<u>93,913</u>	<u>109,430</u>
Net Change in Fund Balances	<u>1,253,172</u>	<u>2,948,051</u>	<u>(40,978)</u>	<u>4,160,245</u>
Fund Balances - Beginning of Year	4,069,735	29,961,668	706,447	34,737,850
Prior Period Adjustment	393			393
Fund Balances - End of Year	<u>\$ 5,323,300</u>	<u>\$ 32,909,719</u>	<u>\$ 665,469</u>	<u>\$ 38,898,488</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, 2006
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 4,160,245

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

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

Equipment	(220)	
Buildings	51,992	
Infrastructure	25,240	
Land	10,592	
Construction in progress	123,892	
		211,496

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

Net current year revenue		20,100
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund. 94,978

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

Bond proceeds	(92,354)	
Other debt proceeds	(1,957)	
Refunding bonds issued		
Accrued interest	5,005	
Repayment of bond principal	39,945	
Payment to refunded bond escrow agent		
Amortization of bond issue costs	442	
		(48,919)

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. (8,628)

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	(12,051)	
Compensated absences	(4,456)	
Capital lease payments	15,301	
Pension benefit obligation	(46,680)	
		(47,886)

Change in Net Assets of Governmental Activities \$ 4,381,386

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



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Proprietary Funds Financial Statements

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, 2006
(Stated in Thousands)

STATEMENT 1.21

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 136,316	\$ 400,430	\$ 536,746	\$ 74,415
Accounts Receivable - Net	13,360	4,292	17,652	433
Interest and Dividends Receivable		5,427	5,427	
Due from Other Funds		1,169	1,169	4,713
Due from Other Governments	6,054	225	6,279	315
Loans, Notes, and Bonds Receivable		20,551	20,551	
Inventories				2,741
Securities Lending Collateral	41,910	20,798	62,708	7,020
Other Current Assets				904
Total Current Assets	197,640	452,892	650,532	90,541
Noncurrent Assets:				
Accounts Receivable - Net				
Interest and Dividends Receivable		24,196	24,196	
Loans, Notes, and Bonds Receivable		269,452	269,452	
Repossessed Property		4,305	4,305	
Investment in Projects, Partnerships, or Corporations		7,759	7,759	
Restricted Assets	373,466		373,466	
Other Noncurrent Assets		657	657	
Capital Assets:				
Equipment, Net of Depreciation	13,673		13,673	96,999
Buildings, Net of Depreciation	464,408		464,408	38,273
Infrastructure, Net of Depreciation	269,854		269,854	
Land	29,738		29,738	
Construction in Progress	39,933	22,017	61,950	5,979
Total Noncurrent Assets	1,191,072	328,386	1,519,458	141,251
Total Assets	1,388,712	781,278	2,169,990	231,792
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,199	5,380	7,579	15,422
Obligations Under Securities Lending	41,910	20,798	62,708	7,020
Due to Other Funds	28,637	943	29,580	556
Due to Other Governments		5,406	5,406	
Interest Payable	5,255		5,255	
Claims, Judgments, and Compensated Absences		6	6	2,927
Unearned and Deferred Revenue	4,942		4,942	
Notes, Bonds, and Leases Payable	12,770		12,770	362
Other Current Liabilities		303	303	7
Total Current Liabilities	95,713	32,836	128,549	26,294
Noncurrent Liabilities:				
Notes, Bonds, and Leases Payable	633,468		633,468	146
Other Noncurrent Liabilities	3,427	897	4,324	1,677
Total Noncurrent Liabilities	636,895	897	637,792	1,823
Total Liabilities	732,608	33,733	766,341	28,117
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	513,306	22,279	535,585	140,743
Restricted for:				
Unemployment Compensation		233,325	233,325	
Health and Human Services		268,005	268,005	
Debt Service	14,999		14,999	
Other Purposes	10,993	187	11,180	
Unrestricted	116,806	223,749	340,555	62,932
Total Net Assets	\$ 656,104	\$ 747,545	\$ 1,403,649	\$ 203,675

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, 2006
(Stated in Thousands)

STATEMENT 1.22

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Premiums and Contributions	\$	\$ 168,942	\$ 168,942	\$ 66,771
Charges for Goods and Services	103,581	1,212	104,793	77,479
Interest and Investment Income		7,840	7,840	
Allowance for Uncollectible Interest		475	475	
Fines and Forfeitures		147	147	
Federal Grants in Aid		552	552	
Other Operating Revenues	418		418	1,334
Total Operating Revenues	103,999	179,168	283,167	145,584
OPERATING EXPENSES				
Benefits		130,487	130,487	58,202
Operating	68,732	5,274	74,006	64,179
Depreciation	35,438	36	35,474	15,383
Provision for Loan Losses and Forgiveness		128	128	
Other Operating Expenses		120	120	
Total Operating Expenses	104,170	136,045	240,215	137,764
Operating Income (Loss)	(171)	43,123	42,952	7,820
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	3,126	14,225	17,351	1,277
Interest and Investment Expense	(11,688)	(514)	(12,202)	(195)
Gain (Loss) on Disposal of Capital Assets		(275)	(275)	(61)
Other Nonoperating Revenues (Expenses)	(4,148)	11,149	7,001	45
Total Nonoperating Revenues (Expenses)	(12,710)	24,585	11,875	1,066
Income Before Capital Contributions and Transfers	(12,881)	67,708	54,827	8,886
Capital Contributions	53,219	6,922	60,141	2,134
Transfers In from Other Funds		1,802	1,802	11,233
Transfers (Out to) Other Funds		(6,696)	(6,696)	(2,153)
Change in Net Assets	40,338	69,736	110,074	20,100
Total Net Assets - Beginning of Year	615,766	677,566	1,293,332	183,139
Prior Period Adjustment		243	243	436
Total Net Assets - End of Year	\$ 656,104	\$ 747,545	\$ 1,403,649	\$ 203,675

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, 2006
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$ 1,721	\$ 1,721	\$ 171
Receipts from Customers	103,522	2,258	105,780	93,747
Receipt of Principal from Loan Recipients		22,466	22,466	
Receipt of Interest and Fees from Loan Recipients		8,459	8,459	
Receipts from Insured		168,473	168,473	66,787
Interfund Services Provided		(4)	(4)	
Payments to Employees	(34,492)	(999)	(35,491)	(22,992)
Payments to Suppliers	(30,797)	(1,687)	(32,484)	(37,356)
Payments to Other Governments		1	1	
Payments to Loan Recipients		(27,982)	(27,982)	
Claims Paid	(3,085)	(132,976)	(136,061)	(56,216)
Interfund Services Used		(3,730)	(3,730)	
Other Receipts		721	721	1,063
Other Payments		(66)	(66)	(2,209)
Net Cash Provided (Used) by Operating Activities	35,148	36,655	71,803	42,995
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(6,794)	(6,794)	(1,026)
Operating Subsidies and Transfers In from Other Funds		776	776	9,413
Payments (Out to) Federal Government		(266)	(266)	
Federal Grants		7,297	7,297	
Proceeds from Issuance of Short-term Debt		2,365	2,365	
Payments on Short-term Debt		(2,365)	(2,365)	
Interest and Fees Paid on Borrowing		(3)	(3)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	1,010	1,010	8,387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	(86,841)	(12,847)	(99,688)	(35,102)
Proceeds from Capital Debt	344,595		344,595	
Principal Paid on Capital Debt	(110,745)		(110,745)	(719)
Interest and Fees Paid on Capital Debt	(21,697)		(21,697)	(30)
Federal Grants	50,300	13,041	63,341	
Other Receipts (Payments)	14,575	(194)	14,381	(28)
Net Cash Provided (Used) by Capital and Related Financing Activities	190,187	0	190,187	(35,879)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	12,576		12,576	
Income from Securities Lending Activities	1,272	494	1,766	
Expenses from Securities Lending Activities	(1,240)	(477)	(1,717)	
Purchase of Investments	(32,756)		(32,756)	
Interest and Dividends on Investments	12,247	13,895	26,142	1,111
Change in Restricted Cash and Investments	(222,043)		(222,043)	
Net Cash Provided (Used) by Investing Activities	(229,944)	13,912	(216,032)	1,111
Net Increase (Decrease) in Cash	(4,609)	51,577	46,968	16,614
Cash and Cash Equivalents - Beginning of Year	16,073	348,853	364,926	57,801
Cash and Cash Equivalents - End of Year	\$ 11,464	\$ 400,430	\$ 411,894	\$ 74,415

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

This statement continued on next page.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (171)	\$ 43,123	\$ 42,952	\$ 7,820
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	35,438	36	35,474	15,383
Other Reconciling Items		(619)	(619)	71
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(996)	(779)	(1,775)	(360)
Due from Other Funds		594	594	15,356
Due from Component Units			0	(311)
Due from Other Governments		1,169	1,169	
Loans, Notes and Bonds Receivable - Net		(5,313)	(5,313)	
Repossessed Property		495	495	
Investment in Projects, Partnerships, or Corporations		227	227	
Securities Lending Collateral	(39,493)	(20,005)	(59,498)	6,796
Interest and Dividends Receivable - Net		(323)	(323)	
Inventories			0	(93)
Other Assets		576	576	19
Due to Other Funds	(3,085)	40	(3,045)	1,445
Due to Other Governments		123	123	
Accounts Payable and Accrued Liabilities	299	(2,306)	(2,007)	2,869
Obligations Under Securities Lending	39,493	20,005	59,498	(6,796)
Other Liabilities	3,663	(388)	3,275	796
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,148</u>	<u>\$ 36,655</u>	<u>\$ 71,803</u>	<u>\$ 42,995</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 136,316	\$ 400,430	\$ 536,746	\$ 74,415
Less: Investments not Meeting the Definition of Cash or Cash Equivalents				
	(124,852)		(124,852)	
Cash, End of Year	<u>\$ 11,464</u>	<u>\$ 400,430</u>	<u>\$ 411,894</u>	<u>\$ 74,415</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets			0	2,134
Transfers (Out to) Other Funds (Accrual)		(192)	(192)	



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Fiduciary Funds

Financial Statements

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, 2006
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 80,574	\$ 117,986
Investments:		189,035
Short-Term Investments	109,759	
Commercial Paper	90,266	
U.S. Treasury	617,093	
U.S. Government Agency	526,222	
Municipal Bonds	2,099	
Foreign Government Bonds	163,639	
Mortgage-Backed	1,758,847	
Other Asset-Backed	414,176	
Corporate Bonds	1,317,144	
Yankees	65,725	
Fixed Income Pool	55	
Domestic Equity Pool	5,783,433	
International Equity Pool	2,102,947	
Emerging Markets Equity Pool	277,429	
Private Equity Pool	823,852	
Absolute Return Pool	350,564	
Other Investment Pool	103,515	
Real Estate Pool	1,378,907	
Participant-Directed	891,676	
Other	(292,954)	
Investment Loss Trust Fund Assets	1,677	
Accounts Receivable - Net		10
Contributions Receivable	32,092	
Interest and Dividends Receivable	198	
Securities Lending Collateral	1,392,542	
Due from Other Funds	527	2,052
Other Assets	39	
Total Assets	<u>17,992,043</u>	<u>309,083</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	69,435	2,837
Obligations Under Securities Lending	1,392,542	
Trust Deposits Payable		306,077
Due to Other Funds	1,714	169
Total Liabilities	<u>1,463,691</u>	<u>309,083</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	10,083,971	
Postemployment Healthcare Benefits	3,929,618	
Individuals, Organizations, and Other Governments	2,514,763	
Total Net Assets	<u>\$ 16,528,352</u>	<u>\$ 0</u>

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

STATE OF ALASKA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 1.32

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 746,387
Member	311,445
Other	22,895
Total Premiums and Contributions	<u>1,080,727</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	1,196,839
Interest	196,899
Dividends	246,338
Total Investment Income	<u>1,640,076</u>
Less Investment Expense	<u>30,609</u>
Net Investment Income	<u>1,609,467</u>
Other Additions	<u>50,262</u>
Total Additions	<u>2,740,456</u>
DEDUCTIONS	
Benefits Paid	1,433,266
Insurance Premiums	4,797
Refunds of Premiums and Contributions	17,895
Administrative Expenses	24,711
Transfers Out to Other Funds	50,000
Total Deductions	<u>1,530,669</u>
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	635,924
Postemployment Healthcare Benefits	435,411
Individuals, Organizations, and Other Governments	138,452
Net Assets - Beginning of the Year	15,318,565
Net Assets - End of the Year	<u>\$ 16,528,352</u>

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



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Component Units Financial Statements

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, 2006
(Stated in Thousands)

STATEMENT 1.41

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	\$ 54,555	\$ 1,217,603	\$ 351,370	\$ 839,111	\$ 2,462,639
Accounts Receivable - Net	13,456			34,604	48,060
Interest and Dividends Receivable	337	19,013	5,451	9,766	34,567
Due from Primary Government	8,698	438	61	1,394	10,591
Due from Component Units	207	208	1,009	240	1,664
Due from Other Governments	28,864		459	6,536	35,859
Loans, Notes, and Bonds Receivable	7,065	3,240,209	357,954	464,016	4,069,244
Inventories	9,122			20,435	29,557
Net Investment in Direct Financing Leases		29,110	268,308		297,418
Investments in Projects, Partnerships, or Corporations			53,537		53,537
Securities Lending Collateral		58,293	424	116,996	175,713
Restricted Assets	275,331	503,865	111,673	968,885	1,859,754
Other Assets	102,802	40,807	3,277	3,061	149,947
Capital Assets:					
Equipment, Net of Depreciation	109,636	774		107,999	218,409
Buildings, Net of Depreciation	524,604	79,721	1,945	37,147	643,417
Infrastructure, Net of Depreciation	30,919			461,486	492,405
Land	27,129	13,762	600	22,087	63,578
Construction in Progress	38,722	25,773		234,322	298,817
Total Assets	1,231,447	5,229,576	1,156,068	3,328,085	10,945,176
LIABILITIES					
Accounts Payable and Accrued Liabilities	37,317		871	52,498	90,686
Obligations Under Securities Lending		58,293	424	116,996	175,713
Due to Primary Government		4,972	355	104,428	109,755
Due to Component Units				1,009	1,009
Due to Other Governments				2	2
Interest Payable		17,340	5,058	17,763	40,161
Other Current Liabilities	36,646	242,449	190	800	280,085
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, and Compensated Absences		1,979		846	2,825
Unearned and Deferred Revenue				10,652	10,652
Notes, Bonds, and Leases Payable	5,200	211,968	10,670	94,288	322,126
Other Long-term Debt				5,800	5,800
Other Noncurrent Liabilities	1,281	4,416		22	5,719
Portion Due or Payable After One Year:					
Unearned and Deferred Revenue	8,116			358,235	366,351
Notes, Bonds, and Leases Payable	113,183	2,695,255	271,755	1,222,143	4,302,336
Other Long-term Debt				5,916	5,916
Other Noncurrent Liabilities	41,777	2,872	11,158	6,845	62,652
Total Liabilities	243,520	3,239,544	300,481	1,998,243	5,781,788
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	608,596	119,503	(12,243)	375,233	1,091,089
Restricted for:					
Permanent Funds					
Nonexpendable				353,566	353,566
Expendable				90,607	90,607
Education	282,337			128,891	411,228
Debt Service	3,371	663,178		47,687	714,236
Other Purposes		45,349	4,723	43,333	93,405
Unrestricted	93,623	1,162,002	863,107	290,525	2,409,257
Total Net Assets	\$ 987,927	\$ 1,990,032	\$ 855,587	\$ 1,329,842	\$ 5,163,388

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, 2006
(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
Component Units:				
University of Alaska	\$ 638,387	\$ 132,200	\$ 212,721	\$ 6,824
Alaska Housing Finance Corporation	319,099	200,148	54,596	12,117
Alaska Industrial Development and Export Authority	38,442	44,882	1,410	1,643
Nonmajor Component Units	303,930	208,258	81,433	29,299
Total Component Units	<u>\$ 1,299,858</u>	<u>\$ 585,488</u>	<u>\$ 350,160</u>	<u>\$ 49,883</u>

General Revenues:

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

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

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

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
\$ (286,642)	\$	\$	\$	\$ (286,642)
	(52,238)			(52,238)
		9,493		9,493
			15,060	15,060
<u>(286,642)</u>	<u>(52,238)</u>	<u>9,493</u>	<u>15,060</u>	<u>(314,327)</u>
38,552	58,390	2,185	49,897	149,024
1,759		2,903		4,662
271,416	300,000		2,438	573,854
2,246	807			3,053
<u>313,973</u>	<u>359,197</u>	<u>5,088</u>	<u>52,335</u>	<u>730,593</u>
27,331	306,959	14,581	67,395	416,266
960,596	1,683,073	841,006	1,259,167	4,743,842
			3,280	3,280
<u>\$ 987,927</u>	<u>\$ 1,990,032</u>	<u>\$ 855,587</u>	<u>\$ 1,329,842</u>	<u>\$ 5,163,388</u>



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Notes to the Basic Financial Statements





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**STATE OF ALASKA
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2006**

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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 86 percent of the total cash and investments and 74 percent of total government-wide net assets excluding discretely presented component units. The fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

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

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

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

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

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

The **Alaska Mental Health Trust Authority** (AMHTA) is established as a public corporation of the state within the Department of Revenue (AS 47.30.011). The governor appoints the AMHTA board of trustees. The legislature approves AMHTA's budget. The purpose of AMHTA is to ensure an integrated comprehensive mental health program. As provided in AS 37.14.009, AMHTA is to administer the trust established under the Alaska Mental Health Enabling Act of 1956. AMHTA financial statements may be obtained from the Alaska Mental Health Trust Authority, 3745 Community Park Loop, Anchorage, AK 99508.

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

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

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

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

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

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the state (AS 16.51.010). It is an instrumentality of the state with a legal existence independent of and separate from the state. ASMI is governed by a board of directors appointed by the governor, and its budget is approved by the legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the General Fund within the Department of Commerce, Community and Economic Development because its financial activities, which are immaterial, are currently accounted for in the state's General Fund. The ASMI fiscal year 2006 budget was approximately \$15.9 million.

B. BASIC FINANCIAL STATEMENTS

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

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information of all nonfiduciary activities of the state and its component units. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from the component units for which the primary government is financially accountable.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resource management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements; however, agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR ENDS

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

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

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

Marketable debt securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current stale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

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

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

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

Private equity securities are valued periodically by the general partners. Underlying private equity investments that are listed on a national exchange are valued using quoted market prices. Securities for which there are not market quotations available are initially carried at original cost and subsequently valued at fair value as determined by the general partners. In determining fair value, the financial condition, operating results and projected operating cash flow of the underlying portfolio companies, prices paid in private sales of such securities, the nature and duration of restrictions on disposition of the securities, the expenses and delay that would be involved in registration, the price and extent of public trading in similar securities, the existence of merger proposals or tender offers affecting securities, reports prepared by analysts are considered as appropriate. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

Absolute return investments are carried at fair value as determined by the pro-rata interest in the net assets of the underlying investment funds. These investment funds are valued periodically by the general partners and the managers of the underlying investments. The net asset value represents the amount that would be expected to be received if it were to liquidate its interests subject to liquidity or redemption restrictions. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

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

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

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the state's General Fund and Other Non-segregated Investment (GeFONSI) pool and the Short-term Fixed Income Pool operates as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2006, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool and shares in the Intermediate-term Fixed Income Pool.

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2006, this liability is recognized and reported in the government-wide and proprietary fund financial statements. The state's estimated liability for compensated absences, as reported in the government-wide Statement of Net Assets, is \$124.9 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from state service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee. See Note 11 for disclosure of the amount of the sick leave contingency.

The cost of compensated absences (annual/personal leave and sick leave) for state employees is charged against agency appropriations when leave is used rather than when leave is earned, except for the payment of the accumulated annual/personal leave balance for an employee terminating from state service. That amount is charged to a terminal leave

liability account rather than the individual agency appropriation. This liability account is funded by a charge to each agency's operating budget.

NET ASSETS / FUND BALANCE

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

FUND BALANCE RESERVES / DESIGNATIONS

The governmental fund financial statements present reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources.

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2006 (in thousands).

Reserved	General	Permanent	Special Revenue	Debt Service	Capital Projects
Encumbrances	\$ 289,710	\$ -	\$ 40,545	\$ -	\$ 63,340
Nonliquid Assets	5,119,467	-	-	-	-
Bonds	-	-	-	35,909	-
Other	37,908	30,646,465	1,807	-	-
Total Reserved	<u>5,447,085</u>	<u>30,646,465</u>	<u>42,352</u>	<u>35,909</u>	<u>63,340</u>
Unreserved					
Designated					
Continuing Appropriations	-	583	9,862	-	127,375
Other	-	2,584,768	56	-	-
Undesignated	(123,785)	9,503	41,744	-	13,231
Total Unreserved	<u>(123,785)</u>	<u>2,594,854</u>	<u>51,662</u>	<u>-</u>	<u>140,606</u>
Total Fund Balance	<u>\$5,323,300</u>	<u>\$33,241,319</u>	<u>\$ 94,014</u>	<u>\$35,909</u>	<u>\$203,946</u>

There are 12 subfunds within the General Fund that have fund balance reserved for other purposes. The other purposes include \$26,567 thousand for Certifications of Participation that pay debt service on state construction projects, \$8,052 thousand for purposes outlined in state statute, and \$3,289 thousand for purposes that accompany the receipt of federal funds.

There are two Permanent Funds that have fund balance amounts reserved for other purposes, Alaska Permanent Fund and the Public School Trust Fund. The Alaska Permanent Fund amount that is reserved for other purposes (\$30,324,951 thousand) is the principal balance of the fund. The Constitution of the State of Alaska specifically requires that the principal be invested in perpetuity. The Public School Trust Fund amount that is reserved for other purposes (\$321,514 thousand) is the principal of the fund and capital gains or losses realized on the principal are to be held in perpetuity per AS 37.14.110(c).

There are two Special Revenue Funds that have fund balance amounts reserved for other purposes, the Fish and Game Fund and the Mine Reclamation Fund. The Fish and Game Fund amount reserved for other purposes (\$947 thousand) is limited to implementing the fish and game code in Title 16 of the Alaska Statutes as a requirement to receive federal funding. The Mine Reclamation Fund reserved for other purposes (\$860 thousand) includes payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation required under AS 27.19.040 and AS 27.21.160.

The negative undesignated fund balance is attributable to a subfund of the general fund that is important for users of the financial statements to understand. The \$5.1 billion reserved for nonliquid assets is comprised primarily of the amount due to the Constitutional Budget Reserve Fund (CBRF) from the remaining general fund arising from Article IX, section 17(d) in the Alaska Constitution. This CBRF receivable is unlikely to be realized.

RESTRICTED NET ASSETS

Permanent Funds

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$30,325 million), \$322 million of the Public School Trust Fund net assets, and \$354 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$10 million (3 percent) of the Public School Trust Fund restricted net assets, and \$91 million (20 percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports \$31.3 billion of restricted net assets for the primary government, of which \$21.6 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

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

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 06, supplemental appropriations of \$254 million were required, of which \$224 million were appropriations from the General Fund.

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 06, the Office of Management and Budget estimated the limit to be approximately \$7.4 billion. The FY 06 budget passed by the legislature was \$3.2 billion (unrestricted General Fund revenues only), or \$4.2 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property, shall be deposited in the budget reserve fund. ...”

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

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

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

Chapter 14, SLA 1994, section 7	\$ 1,006,038,474
Chapter 14, SLA 1994, section 8	49,608,135
Chapter 14, SLA 1994, section 9	368,581,990
Subtotal FY 94	<u>1,424,228,599</u>
Chapter 3, FSSLA 1994, section 39(c)	22,417,986
Chapter 3, FSSLA 1994, section 40	68,738,958
Chapter 3, FSSLA 1994, section 22(a)	11,250,000
Chapter 6, FSSLA 1994, section 1	130,300,000
Article IX, section 17(d) Alaska Constitution (FY 95)	(95,506,853)
Subtotal FY 95	<u>137,200,091</u>
Chapter 94, SLA 1995, section 43(a)	95,506,853
Chapter 94, SLA 1995, miscellaneous operating appropriation	8,356,516
Chapter 94, SLA 1995, section 43(b)	284,873,567
Article IX, section 17(d) Alaska Constitution (FY 96)	(74,352,026)
Subtotal FY 96	<u>314,384,910</u>
Chapter 94, SLA 1995, miscellaneous operating appropriation	8,316,412
Chapter 5, FSSLA 1996, section 1(a)	74,352,026
Article IX, section 17(d) Alaska Constitution (FY 97)	(166,019,445)
Subtotal FY 97	<u>(83,351,007)</u>
Chapter 98, SLA 1997, section 35(a)	166,019,445
Chapter 98, SLA 1997, page 47, line 3	529,258
Chapter 98, SLA 1997, section 35(b)	423,319,190
Article IX, section 17(d) Alaska Constitution (FY 98)	(89,264,067)
Subtotal FY 98	<u>500,603,826</u>
Chapter 139, SLA 1998, section 42(a)	89,264,067
Chapter 2, SLA 1999, section 16(c)	446,949
Chapter 27, SLA 1999, section 2(a), Y2K appropriations	2,336,290
Chapter 2, FSSLA 1999, section 21(a)	1,042,014,840
Article IX, section 17(d) Alaska Constitution (FY 99)	(94,632,453)
Subtotal FY 99	<u>1,039,429,693</u>

Chapter 2, SLA 1999, section 16(c)	13,051
Chapter 27, SLA 1999, section 2(a), Y2K appropriations	5,594,185
Chapter 84, SLA 1999, section 35(a)	94,632,453
Chapter 2, FSSLA 1999, section 21(b)	295,898,497
Chapter 8, SLA 2000, section 8(a)	3,227,666
Chapter 75, SLA 2000, section 1(b)	100,000,000
Article IX, section 17(d) Alaska Constitution (FY 00)	(111,438,806)
Subtotal FY 00	387,927,046
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	(3,355,841)
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	855,688,821
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	540,181,214
Chapter 159, SLA 2004, section 61(a)	88,755,533
Chapter 159, SLA 2004, section 61(b)	10,784,830
Chapter 159, SLA 2004, section 61(c)	109,120
Article IX, section 17(d) Alaska Constitution (FY 04)	(94,626,898)
Subtotal FY 04	5,022,585
Chapter 159, SLA 2004, section 61(d)	94,626,898
Chapter 159, SLA 2004, section 61(e)	34,922,767
Chapter 159, SLA 2004, section 61(f) and Chapter 6, SLA 2005, section 17(a)	125,940
Article IX, section 17(d) Alaska Constitution (FY 05)	(85,513,723)
Subtotal FY 05	44,161,882
Chapter 3, FSSLA 2005, section 61(a)	85,513,723
Chapter 6, SLA 2005, section 17(a)	24,060
Chapter 3, FSSLA 2005, section 61(c)	167,000
Article IX, section 17(d) Alaska Constitution (FY 06)	(156,696,777)
Subtotal FY 06	(70,991,994)
Total appropriated from the CBRF	\$ 5,091,129,825

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

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

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

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

This schedule shows the effect of article IX, section 17(d), of the Alaska Constitution, which provides that the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund until the amount appropriated is repaid. As of June 30, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006, amounts in various subfunds and accounts of the general fund that were identified as available for appropriation were used to repay a part of the liability to the CBRF. The amounts for FY 95, FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04 and FY 05 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04, FY 05 and FY 06 respectively. The amount for FY 06 will be transferred to the CBRF during FY 07.

The amounts transferred under article IX, section 17(d), were appropriated back to the funds from which transferred under chapter 94, SLA 1995, section 43(a) for FY 95, chapter 5, FSSLA 1996, section 1(a) for FY 96, chapter 98, SLA 1997, section 35(a) for FY 97, chapter 139, SLA 1998, section 42(a) for FY 98, chapter 84, SLA 1999, section 35(a) for FY 99, chapter 133, SLA 2000, section 11(a) for FY 00, chapter 61, SLA 2001, section 93(a) for FY 01, chapter 1, SSSLA 2002, section 94(a) for FY 02, chapter 159, SLA 2004, section 61(a) for FY03, chapter 159, SLA 2004, section 61(d) for FY 04, chapter 3, FSSLA 2005, section 61(a) for FY 05, and chapter 82, SLA 2006, section 63(a) for FY 06.

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

Chapter 98, SLA 1997, Page 47, line 3, chapter 2, SLA 1999, section 16(c), chapter 135, SLA 2000, section 18(c), chapter 61, SLA 2001, section 93(c), chapter 1, SSSLA 2002, section 94(c), chapter 159, SLA 2004, section 61(c), chapter 159, SLA 2004, section 61(f), chapter 6, SLA 2005, section 17(a), and chapter 3, FSSLA 2005, section 61(c) appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY 03, FY 04, FY 05 and FY 06 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

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

- \$393 thousand increase to the General Fund due to \$3 thousand increase in revenues for timing difference for activity in Trustee bank accounts for Certificates of Participation; \$390 thousand increase in revenues incorrectly reported as due to the Alaska Public Building Fund.
- \$436 thousand increase for the Internal Service funds: \$1,137 thousand increase for the Alaska Public Building Fund is the net of a \$390 thousand decrease for revenues incorrectly reported as due from the General Fund and a \$1,527 thousand increase in the net value of assets which were not capitalized in prior years; and \$700 thousand decrease in the Correctional Industries Fund for assets that were erroneously reported in the fund for prior years.
- \$243 thousand increase in Enterprise funds is comprised of the following: \$488 thousand net increase in the Knik Arm Bridge and Toll Authority includes \$1,015 thousand increase in revenues not recognized in the prior year and \$527 thousand increase in expenses, which were classified as capital assets in prior years; \$484 thousand net decrease for the Unemployment Compensation Fund due to \$924 thousand increase in revenue from unrecorded interest earned, a \$196 thousand decrease in expenses for payments made and recorded as a transfer between the fund and federally reimbursable programs and \$501 thousand increase in expenses to adjust for UI fraud penalties that reduced expenses in the prior year, and \$1,103 thousand decrease in revenues that were related to the incorrect reporting of employer refunds in FY05; \$8 thousand increase in Drinking Water Fund is due to a reimbursement of a prior year expense; \$39 thousand decrease in revenues in the Commercial Fisheries Loan Fund for interest previously accrued; and \$270 thousand increase in the Alaska Clean Water Fund due to a reimbursement of a prior year expense.

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

- \$127,827 thousand decrease in capital assets includes \$275,059 thousand decrease for construction in progress as a result of activity moved from construction in progress to infrastructure, \$48,410 thousand decrease for construction in progress as a result of a calculation error, \$22,077 thousand decrease in construction in progress for reclassified activity, \$269,565 thousand increase for infrastructure for activity from construction in progress and (\$51,848) thousand increase to accumulated depreciation for infrastructure activity that was not reported in the correct fiscal year.
- \$1,957 thousand increase in revenues for activity from other debt proceeds.

Based on Alaska Statute effective July 1, 2005, the Correctional Industries Internal Service Fund sunset. As a result, this internal service fund reverted to the General Fund in FY 06.

NOTE 4 – DEPOSIT AND INVESTMENT RISK

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

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

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

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

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

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

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

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

Deposits and investments at June 30, 2006, are as follows:

Investment Type	Fair Value (in thousands)					
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	Total
Deposits	\$ -	\$ -	\$ -	\$ -	\$ 6,338	\$ 6,338
Overnight Sweep Account (LMCS)	4,581	-	-	-	-	4,581
Short-term Investment Fund	112,799	-	-	-	-	112,799
Money Market	-	-	-	5	1,064,177	1,064,182
Commercial Paper	226,233	-	-	16,518	-	242,751
U.S. Treasury Notes	-	1,488,734	50,910	-	-	1,539,644
U.S. Treasury Bonds	-	-	56,407	-	-	56,407
U.S. Government Agency Discount Notes	-	-	15,120	-	-	15,120
U.S. Government Agency Mortgage-backed	-	553,840	104,830	-	-	658,670
Other Asset-backed	194,749	328,440	446,588	-	-	969,777
Corporate Bonds	1,354,220	74,042	17,348	-	-	1,445,610
Yankees:	700,653	486,901	218,394	-	-	1,405,948
Government	-	-	5,316	-	-	5,316
Corporate	28,755	16,200	14,306	-	-	59,261
Domestic Fixed Income - Indexed	-	-	-	-	17,828	17,828
Domestic Equity	-	-	-	-	632,804	632,804
International Equity	-	-	-	-	197,025	197,025
Total Invested Assets	2,621,990	2,948,157	929,219	16,523	1,918,172	8,434,061
Pool related net assets (liabilities)	9,889	(8,354)	(83,811)	-	(279)	(82,555)
Net Invested Assets before earnings distribution to participants	2,631,879	2,939,803	845,408	16,523	1,917,893	8,351,506
Earnings payable to participants	(11,595)	277	417	-	-	(10,901)
Other pool ownership	(244,858)	135,072	109,786	-	-	-
Other fiduciary responsibility:						
Alaska Retirement Management Board	(357,775)	-	-	-	-	(357,775)
Exxon Valdez Oil Spill Trustee Council	(8)	-	(66,169)	-	(122,861)	(189,038)
University of Alaska	(2)	-	-	-	(50,020)	(50,022)
Alaska Mental Health Trust Authority	-	(29,661)	-	-	-	(29,661)
Commissioner's fiduciary responsibility	\$ 2,017,641	\$ 3,045,491	\$ 889,442	\$ 16,523	\$ 1,745,012	\$ 7,714,109

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2006, the expected average life of

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

Intermediate-term and Broad Market Fixed Income Pools

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

Intermediate-term Fixed Income Pool - \pm 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2006, was 2.28 years.

Broad Market Fixed Income Pool - \pm 20% of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2006, was 4.80 years.

At June 30, 2006, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
U.S. Treasury Notes	2.01	3.13
U.S. Treasury Bonds		9.74
U.S. Government Agency	2.36	4.25
Mortgage-backed	2.79	3.75
Other Asset-backed	1.06	0.87
Corporate Bonds	2.65	4.99
Yankees:		
Government		8.83
Corporate	4.17	6.34
Portfolio Effective Duration	2.16	3.96

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

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

Other Fixed Income

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

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

Credit Risk

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

With the exception of the sweep account, Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least A-1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is A3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by

one of the rating agencies mentioned above if they are rated AAA. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

Intermediate-term and Broad Market Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least A-1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's Corporation, Moody's and Fitch is Baa3 or equivalent. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of the rating agencies mentioned above if they are rated AAA.

The Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund, may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counter party to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

The bond indentures governing the investment of tobacco revenue related bond proceeds limits the investment in commercial paper to only those securities rated A-1 or equivalent.

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

At June 30, 2006, the Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

Investment Type	Rating¹	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool
Overnight Sweep Account	Not Rated	0.17%	-	-
Short-term Investment Account	Not Rated	4.29%	-	-
Commercial Paper	A-1	8.60%	-	-
U.S. Government Agency Discount Notes	AAA	-	-	1.79%
U.S. Government Agency Mortgage-backed	AAA	-	18.84%	12.39%
Mortgage-backed	AAA	-	10.48%	44.12%
Mortgage-backed	Not Rated	7.40%	0.69%	8.68%
Other Asset-backed	AAA	48.17%	1.67%	2.05%
Other Asset-backed	A	3.28%	0.85%	-
Corporate Bonds	AAA	2.02%	5.78%	2.01%
Corporate Bonds	AA	15.32%	3.20%	4.01%
Corporate Bonds	A	9.27%	4.42%	10.91%
Corporate Bonds	BBB	-	3.17%	8.89%
Yankees - Corporate	AAA	-	0.24%	0.36%
Yankees - Corporate	AA	0.91%	-	0.22%
Yankees - Corporate	A	0.18%	0.13%	0.63%
Yankees - Corporate	BBB	-	-	0.48%
Yankees - Government	AAA	-	-	0.33%
Yankees - Government	BBB	-	-	0.30%
No Credit Exposure		0.39%	50.53%	2.83%
		<u>100%</u>	<u>100%</u>	<u>100%</u>

¹Rating modifiers are not disclosed.

At June 30, 2006, the Tobacco Revenue Fixed Income consisted of commercial paper rated A and the securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated.

Custodial Credit Risk – Deposits

Treasury’s policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds does not establish policy with regard to custodial credit risk. At June 30, 2006, the state had the following uncollateralized and uninsured deposits:

	Amount <u>(in thousands)</u>
Non-interest Bearing Deposits	\$ 6
International Equity Pool	<u>42</u>
	<u>\$ 48</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds of any one company or affiliated group. Federal National Mortgage Association and Federal Home Loan Mortgage Corporation securities are not classified as corporate bonds. At June 30, 2006, more than five percent of investments were held in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities as follows:

	Fair Value <u>(in thousands)</u>	Percent of Total Investments
Federal Home Loan Mortgage Corporation	\$ 547,785	7%
Federal National Mortgage Association	\$ 814,879	10%

Foreign Currency Risk

The Commissioner (for Exxon Valdez Oil Spill Investments, the Exxon Valdez Trustee Council) formally adopts asset allocation policies, which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 06 and invested assets included the following holdings at June 30, 2006, for the funds invested in the International Equity Pool:

	Policy	Actual
Constitutional Budget Reserve Fund, Subaccount	16% ± 5%	20.14%
Power Cost Equalization Endowment Fund	17% ± 5%	19.03%
Retiree Health Insurance Fund, Long Term Care	18% ± 4%	20.32%
Alaska Children’s Trust Fund	22% ± 4%	22.38%
Exxon Valdez Oil Spill Investments	17% ± 5%	17.96%

At June 30, 2006, the International Equity Pool had exposure to foreign currency risk as follows:

<u>Currency</u>	<u>Amount</u> <u>(in thousands)</u>
Deposits:	
Euro Currency	\$ 4
Japanese Yen	193
	<u>197</u>
Investments - International Equity	
Australian Dollar	1,276
Euro Currency	79,736
Japanese Yen	36,046
Norwegian Krone	2,712
Pound Sterling	31,656
Swedish Krona	1,662
Swiss Franc	17,847
	<u>170,935</u>
Total	<u>\$ 171,132</u>

Foreign Exchange Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Equity Pool investment income included the following at June 30, 2006:

Net Realized Gain on Foreign currency	\$ 1,110,964
Net Unrealized Gain on Foreign currency	12,709
Net Realized Gain (Loss) on Foreign Exchange Contracts	(32,375)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity period for the contract is sixteen days. The International Equity Pool had net unrealized gains (losses) with respect to such contract, calculated using forward rates at June 30, as follows:

Contract Sales	\$(231,104)
Less: Fair Value	<u>(234,631)</u>
Net unrealized Gains on Contracts	<u>\$ 3,527</u>

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

Securities Lending

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

At June 30, 2006, the fair value of securities on loan totaled \$1.046 billion, which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner. There is no limit to the amount that can be loaned and the Commissioner is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair

value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

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

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

For the year ended June 30, 2006, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

B. DEPOSITS AND INVESTMENTS UNDER CONTROL OF THE ALASKA RETIREMENT MANAGEMENT BOARD

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

PENSION FUNDS

ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments. As the fiduciary, ARMB has the statutory authority (AS 14.25.007, AS 22.25.048, AS 26.05.228, AS 39.35.007 and AS 37.10.071) to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

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

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

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

Deposits and investments at June 30, 2006 are as follows:

	Fair Value (in thousands)					
	Fixed Income Pools					Total
	Short-term	Domestic	International	High Yield	Other	
Deposits	\$ -	\$ -		\$ -	\$ 5,000	\$ 5,000
Overnight Sweep Account (Imcs)	625	1,089	-	18,221	-	19,935
Money Market Fund (SL)	-	-	-	-	1,362,652	1,362,652
Short-term Investment Fund	15,401	-	1,740	-	31,537	48,678
Commercial Paper	30,890	10,085	-	-	-	40,975
U. S. Treasury Notes	-	164,424	-	-	-	164,424
U. S. Treasury Bonds	-	175,936	-	-	-	175,936
U. S. Treasury Strips	-	17,038	-	-	-	17,038
U.S. Government Agency						
Discount Notes	-	142,565	-	-	-	142,565
U.S. Government Agency	-	258,432	-	-	-	258,432
Municipal Bonds	-	2,099	-	-	-	2,099
Foreign Government Bonds	-	-	163,639	-	-	163,639
Mortgage-backed	26,591	1,415,535	-	-	-	1,442,126
Other Asset-backed	184,906	174,711	-	366	-	359,983
Corporate Bonds	95,668	617,272	111,657	183,255	-	1,007,852
Convertible Bonds	-	-	-	3,987	-	3,987
Yankees:						
Government	-	23,019	-	-	-	23,019
Corporate	3,926	2,018	-	6,834	-	12,778
Fixed Income Pools:						
Equity	-	-	-	56	-	56
Domestic Equity Pool:						
Limited Partnership	-	-	-	-	294,419	294,419
Equity	-	-	-	-	4,901,206	4,901,206
International Equity Pool:						
Equity	-	-	-	-	2,050,586	2,050,586
Emerging Markets Equity Pool	-	-	-	-	277,430	277,430
Private Equity Pool:						
Limited Partnerships	-	-	-	-	823,851	823,851
Absolute Return Pool:						
Limited Partnerships	-	-	-	-	350,565	350,565
Other Investments Pool:						
Limited Partnerships	-	-	-	-	40,218	40,218
Agricultural Holdings	-	-	-	-	63,297	63,297
Real Estate Pool:						
Real Estate	-	-	-	-	782,650	782,650
Commingled Funds	-	-	-	-	280,098	280,098
Limited Partnerships	-	-	-	-	215,919	215,919
Real estate investment trusts	-	-	-	-	100,240	100,240
Mortgages	-	-	-	-	34	34
Net Other Assets (Liabilities)	(195)	(327,636)	10,468	1,727	7,763	(307,873)
Other Pool Ownership	(356,660)	308,723	-	-	47,937	-
Total Invested Assets	\$ 1,152	\$ 2,985,310	\$ 287,504	\$ 214,446	\$ 11,635,402	\$15,123,814

Participant Ownership in Pooled Investments

Public Employees' Trust Fund	\$10,302,183
Teachers' Trust Fund	4,716,935
Judicial Trust Fund	87,283
Alaska National Guard and Alaska Naval Militia Retirement Fund	17,413
Total	<u>\$15,123,814</u>

Interest Rate Risk

Through ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the domestic fixed income portfolio to ± 20 percent of the Lehman Brothers Aggregate Bond Index. The effective duration for the Lehman Brothers Aggregate Bond Index at June 30, 2006, was 4.80 years.

Through ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the international fixed income portfolio to ± 25 percent of the Citigroup Non-U.S. World Government Bond Index. The effective duration for the Citigroup Non-U.S. World Government Bond Index at June 30, 2006, was 6.08 years.

Through ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the high yield portfolio to ± 20 percent of the Merrill Lynch U.S. High Yield Master II Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index at June 30, 2006, was 4.59 years. The High Yield Pool was funded April 15, 2006. Investment managers were in the transition period at year end working towards fully investing allocated funds. Funds not invested at year end have no duration causing the pool's duration to be lower than the policy limit.

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

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

At June 30, 2006, the effective duration of the fixed income pools, by investment type, was as follows:

	Effective Duration (in years)		
	Domestic	International	High Yield
U.S. Treasury Notes	2.65	-	-
U.S. Treasury Bonds	9.73	-	-
U.S. Treasury Strips	20.17	-	-
U.S. Government Agency	3.61	-	-
Municipal Bonds	11.98	-	-
Foreign Government Bonds	-	6.41	-
Mortgage-backed	3.57	-	-
Other Asset-backed	1.78	-	4.73
Corporate Bonds	5.21	4.12	3.76
Convertible Bonds	-	-	2.40
Yankees	-	-	-
Government	9.67	-	-
Corporate	2.18	-	4.43
Portfolio Effective Duration	3.83	5.45	3.43

Credit Risk

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

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

Domestic Fixed Income:

- Commercial paper must carry a rating of at least A-1 or equivalent;
- Corporate debt securities must be investment grade;
- Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.
- Corporate bonds may be purchased if rated by two of these agencies.

International Fixed Income:

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

Domestic and International Equity:

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

High Yield

- No more than 10 percent of the portfolio's assets may be invested in securities rated A3 or higher.
- No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.
- No more than 5 percent of the portfolio's assets may be invested in unrated securities.

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

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

At June 30, 2006, Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

	Rating ¹	Fixed Income Pool		
		Domestic	International	High Yield
Overnight Sweep Account	Not Rated	-	-	8%
U. S. Government Agency				
Discount Notes	Not Rated	5%	-	-
U. S. Government Agency	Not Rated	10%	-	-
Foreign Government	AAA	-	51%	-
Foreign Government	AA	-	3%	-
Foreign Government	A	-	3%	-
Mortgage-backed	AAA	42%	-	-
Mortgage-backed (Agency)	Not Rated	11%	-	-
Other Asset-backed	AAA	6%	-	-
Other Asset-backed	AA	1%	-	-
Corporate Bonds	AAA	1%	26%	-
Corporate Bonds	AA	4%	13%	-
Corporate Bonds	A	10%	-	1%
Corporate Bonds	BBB	8%	-	1%
Corporate Bonds	BB	-	-	18%
Corporate Bonds	B	-	-	53%
Corporate Bonds	CCC	-	-	12%
Corporate Bonds	D	-	-	1%
Convertible Bonds	B	-	-	2%
Yankees:				
Government	AAA - BBB	1%	-	-
Corporate	B	-	-	3%
No credit exposure		1%	4%	1%
		<u>100%</u>	<u>100%</u>	<u>100%</u>

¹Rating modifiers are not disclosed.

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

Custodial Credit Risk – Deposits

ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2006, Invested Assets had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	\$ 4,900

Foreign Currency Risk

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

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

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

At June 30, 2006, the Pension Funds had exposure to foreign currency risk with the following deposits:

Currency	Amount (in thousands) International Equity Pool
Canadian Dollar	\$ 5
Euro Currency	1,841
Hong Kong Dollar	66
Japanese Yen	2,446
New Zealand Dollar	5
Norwegian Krone	202
Pound Sterling	504
Singapore Dollar	24
Swedish Krona	178
Swiss Franc	52
	<u>\$ 5,323</u>

At June 30, 2006, the Pension Funds had exposure to foreign currency risk with the following investments:

Currency	Amount (in thousands)			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
	Foreign Government	Corporate	Equity	Limited Partnerships
Australian Dollar	\$ 17,229	\$ -	\$ 37,306	\$ -
Canadian Dollar	-	-	41,443	-
Danish Krone	-	-	1,516	-
Euro Currency	129,886	-	750,880	53,597
Hong Kong Dollar	-	-	21,369	-
Hungarian Forint	-	-	3,946	-
Japanese Yen	8,756	111,657	422,469	-
New Taiwan Dollar	-	-	4,577	-
New Zealand Dollar	-	-	3,172	-
Norwegian Krone	-	-	24,097	-
Polish Zloty	7,767	-	-	-
Pound Sterling	-	-	348,378	9,370
Singapore Dollar	-	-	17,630	-
South African Rand	-	-	10,574	-
South Korean Won	-	-	21,849	-
Swedish Krona	247,834	-	30,482	-
Swiss Franc	-	-	138,281	-
	<u>\$ 411,472</u>	<u>\$ 111,657</u>	<u>\$ 1,877,969</u>	<u>\$ 62,967</u>

At June 30, 2006, the Pension Funds also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool represents an investment in commingled investment funds; therefore no disclosure of specific currencies is made.

Concentration of Credit Risk

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

At June 30, 2006, the Pension Funds invested assets included \$1.1 billion in Federal National Mortgage Association securities which represented 7.73 percent of total Pension Funds invested assets.

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

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2006:

Realized Gain on Foreign Currency	\$ 35,153,556
Unrealized Gain (Loss) on Foreign Currency	(38,921)
Realized Gain (Loss) on Foreign Exchange Contracts	372,259

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity periods for these contracts range from eight to 124 days. The Pension Funds had net unrealized gains (losses) with respect to such contracts, calculated using forward rates at June 30, 2006 as follows:

Net Contract Sales	\$ 4,526,332
Less: Fair Value	<u>4,538,590</u>
Net unrealized gains (losses)	<u><u>\$ (12,258)</u></u>

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

Securities Lending

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

At June 30, 2006, the fair value of securities on loan allocable to the Pension Funds totaled \$1.3 billion. There is no limit to the amount that can be loaned and ARMB is able to sell securities on loan. International equity security loans are collateralized at not less than 105 percent of their fair value. All other security loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

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

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

For the year ended June 30, 2006, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

DEFERRED COMPENSATION

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds and an Interest Income Fund. At December 31, 2005, Deferred Compensation Plan investments totaled \$470 million.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

ARMB does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2005, are as follows:

	<u>Fair Value (in thousands)</u>	<u>Weighted Average Maturity</u>
Government/Credit Bond Fund	\$ 25,537	7.54 years
Intermediate Bond Fund	9,193	3.90 years
Bond Fund	126	7.2 years
Money Market Fund	456	37 days

Interest Income Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 4.88 years at December 31, 2005. The duration of the Lehman Brother's Aggregate Bond Index was 4.57 years at December 31, 2005.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 2.0 years at December 31, 2005.

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

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which has a weighted average maturity of 24 days at December 31, 2005.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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

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

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

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

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

<u>Synthetic investment contracts</u>	<u>Rating</u>	<u>Fair Value (in thousands)</u>
Short-Term Investment Fund	Not Rated	\$ 5,525
U.S. Agency Securities	AAA	2,842
Mortgage-Backed Securities	AAA	9,198
Mortgage-Backed Securities	Not Rated	14,608
Corporate Bonds	AAA	2,245
Corporate Bonds	AA	10,515
Corporate Bonds	A	25,789
Corporate Bonds	BBB	7,833
Corporate Bonds	BB	107
Asset Backed Securities	AAA	32,366
Investments with no credit exposure		11,364
Total		<u>\$ 122,392</u>
Reserve - Short-Term Investment Fund	Not Rated	5,268

Concentration of Credit Risk

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

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

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

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

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

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

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

At December 31, 2005, the Deferred Compensation Plan had no exposure to a single issuer in excess of 5 percent of total invested assets.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

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

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

SUPPLEMENTAL BENEFITS SYSTEM

The State’s Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State’s internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly owned Pooled Investment Funds. At January 31, 2006, SBS investments totaled \$2 billion.

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

Interest Rate Risk

Collective Investment and Money Market Funds

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

ARMB does not have a policy to limit interest rate risk for these investments. The weighted average maturity of the collective investment fund that consists solely of debt securities (Government/Corporate Bond Fund) was 6.69 years at January 31, 2006. The weighted average maturity of the money market portfolio was 36 days at January 31, 2006.

Short-term Fixed Income Pool

The Investment Loss Trust Fund and SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2006, the expected average life of individual fixed rate securities ranged from one day to 6 months and the expected average life of floating rate securities ranged from 15 days to three years.

Stable Value Fund

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

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

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Lehman Brothers Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 2.09 years at January 31, 2006. The duration of the Lehman Brother's Aggregate Bond Index was 2.03 years at January 31, 2006.

For structured payout synthetic investment contracts, duration cannot exceed seven years in the aggregate. The aggregate duration of the structured payout synthetic investment contracts was 4.72 years at January 31, 2006.

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

ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which had a weighted average maturity of 40 days at January 31, 2006.

Pooled Investment Funds

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

For government and corporate debt securities, duration is limited to ± 0.25 years of the Lehman Brothers Government/Credit Index. At January 31, 2006, the duration of the government and corporate debt securities was 5.04 years and the duration of the Lehman Brothers Government Credit Index was 5.04 years.

For mortgage-backed securities, duration is limited to ± 0.25 years of the Lehman GNMA Index. At January 31, 2006, the duration of the mortgage-backed securities was 3.26 years and the duration of the Lehman GNMA Index was 3.24 years.

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

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

Credit Risk

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

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

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

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

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

- All government and corporate fixed income securities must be rated BBB or better at time of purchase,
- All mortgage-backed securities must be issued by the Government National Mortgage Association, and
- Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At January 31, 2006, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard and Poor's rating scale):

Investment Type	Rating	Fair Value (in thousands)				
		Short-term Fixed Income Pool	Underlying Synthetic Investment Contracts	Wholly owned Pooled	Investment Loss Trust	Collective Investment Funds
Investments with credit exposure:						
Overnight Sweep Account	Not Rated	\$ 45	\$ -	\$ -	\$ 40	\$ -
Money Market Fund	Not Rated	-	-	-	-	3,257
Short-term Investment Fund	Not Rated	-	6,394	21,611	-	-
Commercial Paper	A-1	265	-	49,292	237	-
U.S. Government Agency						
Discount Notes	Not Rated	-	-	-	-	-
U.S. Government Agency	AAA	-	-	-	-	-
U.S. Government Agency	Not Rated	-	4,879	92,908	-	-
Mortgage-backed	AAA	229	-	-	205	-
Mortgage-backed	Not Rated	69	18,699	-	62	-
Other Asset-backed	AAA	689	17,877	-	615	-
Other Asset-backed	AA	-	-	-	-	-
Other Asset-backed	A	54	-	-	48	-
Corporate Bonds	AAA	27	2,561	9,694	24	-
Corporate Bonds	AA	223	6,027	16,781	199	-
Corporate Bonds	A	219	20,297	93,096	195	-
Corporate Bonds	BB	-	70	-	-	-
Corporate Bonds	BBB	-	7,275	53,129	-	-
Yankees:						
Corporate	AAA	-	193	3,963	-	-
Corporate	AA	13	197	-	11	-
Corporate	A	4	198	4,715	4	-
Corporate	BBB	-	257	2,953	-	-
Government	AAA	-	-	1,479	-	-
Government	AA	-	-	5,475	-	-
Government	A	-	-	3,122	-	-
Government	BBB	-	-	4,087	-	-
Deposits and Investments with no credit exposure:						
Deposits		-	-	54	-	-
U.S. Treasury Bills		55	-	-	49	-
U.S. Treasury Notes		-	8,921	149,459	-	-
U.S. Treasury Bonds		-	2,829	67,188	-	-
Mortgage-backed		-	2,907	210,622	-	-
Collective Investment Funds		-	-	-	-	545,537
Domestic Equity		-	-	528,635	-	-
International Equity		-	-	26,223	-	-
Total invested assets		1,892	99,581	1,344,486	1,689	548,794
Pool related net assets (liabilities)		(38)	-	11,236	(13)	-
Total		\$ 1,854	\$ 99,581	\$1,355,722	\$ 1,676	\$ 548,794

Concentration of Credit Risk

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

Treasury's policy with regard to the Short-term Fixed Income Pool is to prohibit the purchase of more than 5 percent of the portfolio's assets in corporate bonds of any one company or affiliated group.

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

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

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

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

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

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

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

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

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

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

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

At January 31, 2006, SBS had no exposure to a single issuer in excess of 5 percent of total invested assets.

Foreign Currency Risk

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

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

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

At January 31, 2006, SBS had exposure to foreign currency risk in the pooled investment funds as follows (stated in thousands):

<u>Currency</u>	<u>Deposits</u>	<u>Equity (Fair Value)</u>
Australian Dollar	\$ 50	\$ 1,747
Euro Currency		8,025
Hong Kong Dollar		522
Japanese Yen		6,729
Pound Sterling	3	4,843
Swiss Franc		1,115
Mexican Peso		330
Norwegian Krone		897
New Zealand Dollar	1	41
Swedish Krona		1,630
Singapore Dollar		344
	<u>54</u>	<u>26,223</u>
U.S. Dollar	3,372	
	<u>\$ 3,426</u>	<u>\$ 26,223</u>

Custodial Credit Risk

ARMB does not have a policy for custodial credit risk. At January 31, 2006, SBS's deposits were uncollateralized and uninsured.

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

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

ALASKA PERMANENT FUND CORPORATION

Investments and related policies

Carrying value of investments

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

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

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

Investment policy

The Trustees have established a long-term goal of achieving a 5 percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund investments among various asset classes. In order to allow for market

fluctuations and to minimize transaction costs, the Trustees also have adopted acceptable ranges around the targets. At June 30, 2006, the APFC's asset allocation policy (with acceptable ranges) is summarized as follows:

Domestic equities	34% (± 6%)
International equities	19% (± 4%)
Domestic fixed income	25% (± 6%)
Non-domestic fixed income	4% (± 3%)
Real estate	10% (± 3%)
Private equity	4% (± 4%)
Absolute return	4% (± 3%)

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

Concentration of credit risk

Concentration of credit risk is the risk of loss attributable to holding investments from a single issuer. The Fund manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among managers with varying investment styles and mandates. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolutions 06-04 and 06-02, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments.

Credit risk

The APFC requires that its core fixed income managers invest in corporate bonds and non-domestic bonds that are rated investment grade by at least two of the following three rating agencies: Moody's, Standard & Poor's, and Fitch. If only two of the three agencies rate the security, the lower rating is used to determine eligibility for purchase. If only one of the three agencies rates a security, the rating must be investment grade. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain non-core investment managers are allowed to opportunistically invest a specified amount of funds in bonds rated below investment grade.

The APFC does not have an allocation to cash. Managers are encouraged to limit the amount of cash they hold, and most cash reflects pending transactions yet to settle. The APFC manages the aggregate cash position of all domestic equity, a majority of real estate investment trust managers, and the internal fixed income portfolio in a Unitized Cash Fund (UCF). The UCF is primarily intended to serve as an efficient mechanism for investing daily transactional cash. UCF securities must be rated by either Moody's or Standard & Poor's equivalents of P1 or A1 for short-term investments. A second internal cash management account is maintained to invest cash balances needed for pending settlements of to-be-announced (TBA) mortgage securities in the internal fixed income portfolio. The TBA Cash Management Account invests primarily in short-term asset-backed structured products. Such securities must have a minimum rating of AAA for asset backed bonds and either P1 or A1 for asset-backed commercial paper.

Custodial credit risk

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

Foreign currency risk

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

Interest rate risk

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio's sensitivity to changes in interest rates. The duration of a portfolio is the average market value weighted duration of all bonds in the portfolio. In general, the major factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options. As an example, for a bond portfolio with a duration of 5, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5 percent.

The APFC's investment policy specifies an effective duration range for each long-term fixed income mandate (based on the respective portfolio's benchmark index duration) as follows: core domestic and core plus fixed income portfolios 80-120 percent; non-domestic fixed income 50-150 percent; and high yield fixed income 50-200 percent. The APFC uses industry-standard analytical software to calculate effective duration. The software takes into account various possible interest rates, historical and estimated prepayment rates, call and put options, and other variable cash flows for the effective duration calculation.

For short-term debt investments, the APFC's policy states that the weighted average day count of the short-term UCF cannot exceed 150 days, with a final maximum maturity of 14 months for any single investment. The policy further limits asset backed securities held in cash management accounts to a maximum average life of 12 months at time of purchase.

Forward exchange contracts

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

Short-Term Investments

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2006 (in thousands):

U.S. agencies	\$ 540,853
U.S. treasury bills	-
Domestic certificates of deposit	-
Commercial paper	242,836
Asset-backed securities	<u>833,980</u>
Total short-term investments	1,617,669
Cash and pooled funds	<u>99,681</u>
Total cash and short-term investments	<u>\$ 1,717,350</u>

At June 30, 2006, all commercial paper investments were rated A-1 by Standard & Poor's, P-1 by Moody's, or an equivalent rating, and all asset-backed securities were rated AAA by either Moody's or Standard & Poor's. U.S. agencies and treasury bills are either explicitly or implicitly guaranteed by the U.S. government and are not rated. Short-term investments held at fiscal year end 2006 in the UCF and TBA Cash Management Account had weighted average maturities of 22 and 18 days, respectively. At June 30, 2006, uninvested, uninsured cash of \$40,451,000 was held at the custodian or sub-custodian banks. All remaining cash balances either were insured or were invested in short-term pooled investment funds, which were rated AAA by Standard & Poor's.

Marketable Debt Securities

Marketable debt securities at June 30, 2006 are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Treasury notes/bonds	\$ 2,171,304	\$ 2,141,787	\$ (29,517)
Mortgage-backed securities	3,275,690	3,195,957	(79,733)
Other federal agencies	608,790	588,970	(19,820)
Corporate bonds	2,532,048	2,451,703	(80,345)
Non-domestic bonds	959,337	965,034	5,697
Total marketable debt securities	<u>\$ 9,547,169</u>	<u>\$ 9,343,451</u>	<u>\$ (203,718)</u>

Marketable Debt Credit Ratings

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

At June 30, 2006, the Fund's credit ratings for its marketable debt securities issued by NRSROs are as follows (in thousands):

<u>NRSRO Quality rating</u>	<u>Domestic</u>	<u>Non-domestic</u>	<u>Total market value</u>	<u>Percent of holdings</u>
AAA	\$ 905,315	\$ 791,202	\$ 1,696,517	18.16%
AA	420,288	12,300	432,588	4.63%
A	665,008	127,732	792,740	8.48%
BBB	647,535	33,800	681,335	7.29%
BB	13,733	-	13,733	0.15%
B	20,319	-	20,319	0.22%
CCC	3,912	-	3,912	0.04%
Total market value of rated debt securities	2,676,110	965,034	3,641,144	38.97%
U.S. government explicitly backed by the U.S. government	2,176,640	-	2,176,640	23.30%
U.S. government implicitly backed by the U.S. government	3,525,667	-	3,525,667	37.73%
Total market value debt securities	<u>\$ 8,378,417</u>	<u>\$ 965,034</u>	<u>\$ 9,343,451</u>	<u>100.00%</u>

Marketable Debt Duration

In order to manage its interest rate risk on marketable debt securities, the APFC monitors daily market values and routinely reviews portfolio effective duration in comparison to an established benchmark. At fiscal year end, the aggregate holdings of debt securities were within the required range in relation to such benchmarks. At June 30, 2006, the effective duration by investment type, based on market value, is as follows:

	Percent of bond holdings	Duration
Domestic bonds		
Mortgages (agency and corporate)	32.72%	4.00
Treasuries	29.53%	4.54
Corporate bonds	24.74%	5.73
Government sponsored	10.55%	4.36
Supra/Sovereign	2.46%	3.29
Total domestic bonds	<u>100.00%</u>	<u>4.61</u>
Non-domestic bonds		
Government and agency	92.45%	5.73
Corporate and other non-government	7.55%	4.77
Total non-domestic bonds	<u>100.00%</u>	<u>5.65</u>

The APFC manages the Fund's exposure to fair value losses arising from changing interest rates by establishing effective duration guidelines in its fixed income investment policy. Duration is used to explain a portfolio's sensitivity to changes in interest rates. The duration of a portfolio is the average market value weighted duration of all bonds in the portfolio. In general, the major factors affecting duration are, in order of importance: maturity, prepayment frequency, size of coupon, level of market interest rates, and frequency of coupon payments. Duration will fall as interest rates rise. Effective duration attempts to account for the price sensitivity of a bond, including the impact of embedded options. As an example, for a bond portfolio with a duration of 5, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5 percent.

Concentration of Credit Risk

At June 30, 2006, more than 5 percent of the Fund's total net investments were held in securities of the issuer listed below (in thousands):

Issuer of securities	Market value of holdings	Percent of total Fund
Federal National Mortgage Association (FNMA)		
Mortgage-backed securities	\$ 2,048,255	6.23%
Senior debt	181,812	0.55%
Equity	27,084	0.08%
Total	<u>\$ 2,257,151</u>	<u>6.86%</u>

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

Preferred and Common Stock

Except for one commingled fund investment, all investments in preferred and common stock are held by custodian banks in the name of the Fund. The commingled fund investment, the Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc., is held by the custodian bank of the fund manager on behalf of the commingled fund's investors. The market values of the Fund's shares in the EMGF were \$645,014,000 as of June 30, 2006, and are included in the non-

domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 5.9 percent of the total EMGF value at June 30, 2006.

Preferred and common stocks at June 30, 2006 are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains</u>
Domestic	\$ 10,297,205	\$ 12,617,686	\$ 2,320,481
Non-domestic	4,939,026	6,638,695	1,699,669
Total preferred and common stock	<u>\$ 15,236,231</u>	<u>\$ 19,256,381</u>	<u>\$ 4,020,150</u>

Foreign Currency Exposure

Foreign currency risk arises when a loss could result from adverse changes in foreign currency exchange rates. Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies. At June 30, 2006, the Fund's non-domestic public and private equity and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent, in thousands):

Foreign currency	Public equity	Debt	Private equity	Total foreign currency exposure
Australian Dollar	\$ 266,235	\$ 27,359	\$ -	\$ 293,594
Brazilian Real	34,739	-	-	34,739
British Pound Sterling	1,233,675	196,965	11,554	1,442,194
Canadian Dollar	102,110	94,791	-	196,901
Czech Koruna	4,726	-	-	4,726
Danish Krone	18,262	68,156	-	86,418
Egyptian Pound	5,753	-	-	5,753
Euro Currency	2,130,754	355,482	11,406	2,497,642
Hong Kong Dollar	110,788	-	-	110,788
Hungarian Forint	5,183	-	-	5,183
Indian Rupee	9,137	-	-	9,137
Indonesian Rupiah	7,135	-	-	7,135
Israeli Shekel	11,504	-	-	11,504
Japanese Yen	1,337,461	114,724	-	1,452,185
Malaysian Ringgit	25,888	-	-	25,888
Mexican Nuevo Peso	11,434	23,398	-	34,832
New Taiwan Dollar	63,446	-	-	63,446
New Zealand Dollar	3,683	-	-	3,683
Norwegian Krone	39,408	37,235	-	76,643
Philippines Peso	436	-	-	436
Polish Zloty	6,888	10,361	-	17,249
Renminbi Yuan	1,139	-	-	1,139
Russian New Ruble	1,867	-	-	1,867
Singapore Dollar	36,520	26,952	-	63,472
South African Rand	54,074	-	-	54,074
South Korean Won	82,367	9,820	-	92,187
Swedish Krona	115,849	-	-	115,849
Swiss Franc	439,963	-	-	439,963
Thai Baht	23,758	-	-	23,758
Turkish Lira	9,055	-	-	9,055
Total foreign currency exposure	\$ 6,193,237	\$ 965,243	\$ 22,960	\$ 7,181,440

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

Real Estate

The APFC is authorized by State regulations to invest Fund assets in various forms of real estate, which generally take the form of private equity real estate interests, real estate title-holding entities, real estate investment trusts, real estate operating companies or other entities whose assets consist primarily of real property, debt obligations secured by real property, or similar entities. The APFC invests Fund assets in direct real estate through its ownership of interests in corporations, limited liability companies, and partnerships that own title to the real estate. External real estate management firms administer the Fund's private equity real estate investments.

The APFC routinely analyzes private equity real estate holdings for permanent impairment, in accordance with Corporate resolution 05-08 and Governmental Accounting Standards Board Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." At fiscal year end June 30, 2006, one property was analyzed for permanent impairment, and it was determined that a write-down of value due to impairment was not warranted.

The carrying value of real estate at June 30, 2006 was \$3,367,049,000. Private equity real estate investments, property notes receivable, and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Public equity real estate investments (real estate investment trusts) are recorded in the financial statements at their market value.

In the ordinary course of business, the APFC has made Fund commitments related to real estate investments. In the opinion of management, meeting these commitments will not have a materially adverse effect on the Fund's financial position, results of operations, or liquidity. Real estate investments at June 30, 2006 are summarized as follows (in thousands):

	Cost/equity value	Market value	Unrealized gains	Financial statement carrying value
Real estate investment trusts	\$ 668,908	\$ 1,008,067	\$ 339,159	\$ 1,008,067
Alaska residential mortgages	60	60	-	60
Property note receivable	3,414	3,414	-	3,414
Private equity real estate -				
Retail	438,408	793,679	355,271	438,408
Office	756,211	865,242	109,031	756,211
Industrial	212,217	233,682	21,465	212,217
Multifamily	948,672	987,778	39,106	948,672
Total real estate	<u>\$ 3,027,890</u>	<u>\$ 3,891,922</u>	<u>\$ 864,032</u>	<u>\$ 3,367,049</u>

Subsequent to fiscal year end 2006, two real estate properties were sold. An office building in Washington D.C., with a carrying value of \$50,512,000 was sold at a gain of \$42,659,000. Another office building in Kentucky with a carrying value of \$36,018,000 was sold at a gain of \$3,498,000.

Alternative Investments

Alternative investments include absolute return strategies and private equity.

Absolute return strategies are investments in non-market correlated strategies through specialized investment funds. The Fund's absolute return strategies are managed through three separate portfolios, each being comprised of a single-investor limited partnership ("fund of one") that invests in a diversified portfolio of underlying limited partnership interests (or similar type entity), with the general partner providing essential investment management services. The Fund obtains fair value for its limited partnership interests from the general partner, which is then reviewed by the investment advisor, and subject to annual audits. Most of the absolute return investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and/or additional expenses upon early withdrawal of invested funds.

Private equity investments involve the purchase of limited partnership interests which typically invest in unlisted, illiquid common and preferred stock and to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired an external advisor to select limited partnership interests which are diversified by geography and strategy. This investment type is characteristically funded slowly over time as opportunities are identified by the external advisor and general partners. The Fund obtains fair value for its investments in private equity utilizing the most current information provided by the general partner, as reviewed by the external advisor, and subject to annual audits.

Alternative investments at June 30, 2006 are summarized as follows (in thousands):

	<u>Cost</u>	<u>Market</u>	<u>Unrealized gains/(losses)</u>
Absolute return strategy	\$ 784,290	\$ 844,732	\$ 60,442
Private equity	110,575	106,564	(4,011)
Total alternative investments	<u>\$ 894,865</u>	<u>\$ 951,296</u>	<u>\$ 56,431</u>

As of June 30, 2006, the APFC, on behalf of the Fund, had outstanding private equity investment commitments of approximately \$614,000,000.

Alaska Certificates of Deposit

The APFC is authorized by State regulations and Trustee resolution 04-03, to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks and credit unions doing business in Alaska. Collateral securing these investments is either letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored agencies.

Securities Lending

Under State regulation 15 AAC 137.510, the APFC is authorized to enter into securities lending transactions on behalf of the Fund. The APFC, through an agreement with the Bank of New York (the Bank), lends marketable debt and equity securities. These loans are fully collateralized with cash or U.S. government guaranteed marketable securities at not less than 102 percent of the market value of the loaned securities for domestic securities and 105 percent of the market value for non-domestic loaned securities. The APFC is able to sell any securities out on loan. Upon borrower default, the Bank may hold cash collateral or sell non-cash collateral. The APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against any loss resulting from counterparty failure, loss resulting from the reinvestment of collateral, default on collateral investments, or failure to return loaned securities.

Cash collateral received for securities on loan, which is required to be reported on the balance sheet of the Fund, is invested by the Bank in the name of the Fund. As of June 30, 2006, such investments were in overnight repurchase agreements, and had a weighted average maturity of one day. The average term of the loans was also one day. At June 30, 2006 the value of securities on loan and related collateral is as follows (in thousands):

Market value of securities on loan	<u>\$ 7,251,052</u>
Collateral	
Cash collateral	\$ 7,466,539
Non-cash collateral	-
Total collateral	<u>\$ 7,466,539</u>

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank receives 20 percent. During the years ended June 30, 2006, there were no losses incurred as a result of securities lending transactions. The Fund received income of \$15,836,000 from securities lending for the year ended June 30, 2006.

Investment Income by Source

Investment income during the year ended June 30, 2006 is summarized as follows (in thousands):

Interest	
Domestic marketable debt securities	\$ 347,679
Non-domestic marketable debt securities	39,590
Alaska certificates of deposit	6,835
Short-term domestic and other	60,814
Total interest	<u>\$ 454,918</u>
Dividends	
Domestic stocks	\$ 179,178
Non-domestic stocks	163,392
Total dividends	<u>\$ 342,570</u>
Real estate and other income	
Private equity real estate interest	\$ 340
Private equity real estate net rental income	114,142
Real estate investment trust dividends	46,784
Absolute return management expenses, net of dividend and interest income	(4,979)
Private equity dividends	89
Loaned securities and other income	21,582
Total real estate and other income	<u>\$ 177,958</u>

Foreign Exchange Contracts and Off-Balance Sheet Risk

Public equity and bond asset managers for the APFC enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates on specified future dates for the purpose of protecting existing or anticipated positions in these currencies. The maturity periods for outstanding contracts at June 30, 2006 ranged between 11 days and 145 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties; however, the APFC considers the risk of default to be remote. The Fund's market risk as of June 30, 2006 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for the fiscal year ended June 30, 2006 are summarized as follows (in thousands):

Face value of FX forward contracts	\$ 1,507,176
Net FX forward contracts receivable	8,172
Market value of FX forward contracts	<u>\$ 1,515,348</u>
Unrealized gains	\$ 4,184
Realized losses	(14,319)
Net increase (decrease) in fair value of FX forward contracts	<u>\$ (10,135)</u>

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

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

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

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

Capital asset activities for the fiscal year ended June 30, 2006, are as follows (in millions):

<u>Governmental Activities</u>	<u>Beginning Balance (restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 680	\$ 10	\$ -	\$ 690
Construction in progress	1,077	457	(327)	1,207
Total capital assets not being depreciated	<u>1,757</u>	<u>467</u>	<u>(327)</u>	<u>1,897</u>
Capital assets being depreciated:				
Buildings	1,069	107	(33)	1,143
Equipment	700	43	(26)	717
Infrastructure	4,337	244	-	4,581
Total capital assets being depreciated	<u>6,106</u>	<u>394</u>	<u>(59)</u>	<u>6,441</u>
Less accumulated depreciation for:				
Buildings	(392)	(24)	5	(411)
Equipment	(325)	(27)	22	(330)
Infrastructure	(2,231)	(219)	-	(2,450)
Total accumulated depreciation	<u>(2,948)</u>	<u>(270)</u>	<u>27</u>	<u>(3,191)</u>
Total capital assets being depreciated, net	<u>3,158</u>	<u>124</u>	<u>(32)</u>	<u>3,250</u>
Capital assets, net	<u>\$ 4,915</u>	<u>\$ 591</u>	<u>\$ (359)</u>	<u>\$ 5,147</u>

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

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	71	12	(21)	62
Total capital assets not being depreciated	<u>101</u>	<u>12</u>	<u>(21)</u>	<u>92</u>
Capital assets being depreciated:				
Buildings	564	48	-	612
Equipment	48	2	(1)	49
Infrastructure	443	61	-	504
Total capital assets being depreciated	<u>1,055</u>	<u>111</u>	<u>(1)</u>	<u>1,165</u>
Less accumulated depreciation for:				
Buildings	(130)	(17)	-	(147)
Equipment	(34)	(3)	1	(36)
Infrastructure	(217)	(16)	-	(233)
Total accumulated depreciation	<u>(381)</u>	<u>(36)</u>	<u>1</u>	<u>(416)</u>
Total capital assets being depreciated, net	<u>674</u>	<u>75</u>	<u>-</u>	<u>749</u>
Capital assets, net	<u>\$ 775</u>	<u>\$ 87</u>	<u>\$ (21)</u>	<u>\$ 841</u>

The following relates to the land owned by the state:

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

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

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

Governmental Activities	<u>Amount</u>
General Government	\$ 3
Education	9
Health and Human Services	5
Law and Justice	2
Natural Resources	1
Public Protection	6
Transportation	231
Depreciation on capital assets held by the state’s internal service funds is charged to the various functions based on their use of the assets.	<u>15</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 272</u>
Business-type Activities	
Enterprise	<u>\$ 36</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, 2006 (in millions):

	Beginning Balance <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance
Capital assets not being depreciated:				
Land	\$ 63	\$ 1	\$ -	\$ 64
Library, media, and museum collections	52	1	-	53
Construction in progress	253	156	(110)	299
Infrastructure	-	-	-	-
Total capital assets not being depreciated	<u>368</u>	<u>158</u>	<u>(110)</u>	<u>416</u>
Capital assets being depreciated:				
Buildings	1,097	72	(6)	1,163
Equipment	374	18	(11)	381
Infrastructure	763	36	-	799
Total capital assets being depreciated	<u>2,234</u>	<u>126</u>	<u>(17)</u>	<u>2,343</u>
Less accumulated depreciation for:				
Buildings	(477)	(46)	4	(519)
Equipment	(196)	(30)	10	(216)
Infrastructure	(280)	(27)	-	(307)
Total accumulated depreciation	<u>(953)</u>	<u>(103)</u>	<u>14</u>	<u>(1,042)</u>
Total capital assets being depreciated, net	<u>1,281</u>	<u>23</u>	<u>(3)</u>	<u>1,301</u>
Capital assets, net	<u>\$ 1,649</u>	<u>\$ 181</u>	<u>\$ (113)</u>	<u>\$ 1,717</u>

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

The Alaska Mental Health Trust Authority (AMHTA) had a separately issued audited financial statement for FY 06. As a result, there were some additional capital assets reported by the AMHTA that were not previously reported. These will be reflected as a prior period adjustment. See note 3 for additional information.

NOTE 6 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2006 (in thousands):

Governmental Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within
					One Year
Revenue bonds payable	\$ 212,794	\$ 68,354	\$ 4,808	\$ 276,340	\$ 2,464
General obligation debt	463,117	-	29,201	433,916	29,050
Notes payable	-	-	-	-	-
Capital leases payable	147,993	8,628	15,951	140,670	14,372
Unearned & deferred revenue	160,294	60,554	26,586	194,262	164,261
Certificates of participation	61,625	24,000	10,855	74,770	9,495
Compensated absences	120,462	110,794	106,326	124,930	124,930
Claims and judgments	71,626	37,690	26,463	82,853	37,016
Other noncurrent liabilities	1,253	6	87	1,172	846
Net pension obligation	56,346	47,207	-	103,553	-
Total	\$ 1,295,510	\$ 357,233	\$ 220,277	\$ 1,432,466	\$ 382,434

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

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

Claims and judgments also includes \$81 thousand for arbitrage payable to the federal government due to interest earned on the Sport Fish Revenue Bond proceeds.

Business-type Activities	Beginning	Increases	Decreases	Ending	Amounts Due
	Balance			Balance	Within One
					Year
Revenue bonds payable	\$ 412,057	\$ 344,595	\$ 110,414	\$ 646,238	\$ 12,770
Unearned & deferred revenue	4,423	519	-	4,942	4,942
Compensated absences	54	-	48	6	6
Other noncurrent liabilities	225	831	-	1,056	-
Net pension obligation	18	3,250	-	3,268	-
Total	\$ 416,777	\$ 349,195	\$ 110,462	\$ 655,510	\$ 17,718

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, 2006, the following were the general obligation bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2007	\$ 24.7	\$ 20.3	\$ 45.0
2008	25.4	19.0	44.4
2009	26.2	17.6	43.8
2010	27.1	16.3	43.4
2011	28.1	14.8	42.9
2012-2016	133.2	51.6	184.8
2017-2021	99.7	22.2	121.9
2022-2026	49.8	3.5	53.3
Total debt service requirements	414.2	<u>\$ 165.3</u>	<u>\$ 579.5</u>
Unamortized bond premium	19.7		
Total principal outstanding	<u>\$ 433.9</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 06, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

REVENUE BONDS

As of June 30, 2006, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 2.4	\$ 14.9	\$ 12.8	\$ 31.6
2008	8.5	15.0	15.5	30.5
2009	8.9	14.6	19.9	29.7
2010	9.4	14.1	20.7	28.8
2011	9.8	13.6	21.7	27.8
2012-2016	49.4	61.2	125.9	121.4
2017-2021	62.3	46.5	146.7	87.6
2022-2026	74.9	29.4	172.7	45.9
2027-2031	52.2	7.7	108.8	14.6
Total debt service requirements	277.8	<u>\$ 217.0</u>	644.7	<u>\$ 417.9</u>
Unamortized bond discounts	(1.4)		1.5	
Total principal outstanding	<u>\$ 276.4</u>		<u>\$ 646.2</u>	

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

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. NTSC revenue bond total at year end include \$209.7 million in principal, \$179.1 million in interest, and \$1.7 of unamortized discount.

The State of Alaska Sport Fishing (SF) Revenue Bonds are issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its faith and credit to the payment of the bonds. SF revenue bond total at year end include \$68.1 million in principal, \$37.9 million in interest, and \$0.3 of unamortized premium.

The business activities revenue bonds include bond issuances by the International Airports Fund. Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports revenue bonds. All bonds authorized by the Alaska legislature have been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets.

C. CAPITAL AND OPERATING LEASES

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

<u>Governmental Activities</u> <u>Year Ending June 30</u>	Operating Leases	Capital Leases		
		Principal	Interest	Total
2007	\$ 29.8	\$ 14.4	\$ 6.6	\$ 21.0
2008	25.4	14.5	6.0	20.5
2009	21.9	14.0	5.3	19.3
2010	16.4	13.5	4.6	18.1
2011	11.9	10.7	4.0	14.7
2012-2016	26.2	41.9	13.8	55.7
2017-2021	1.4	28.9	4.1	33.0
2022-2026	0.5	2.7	0.1	2.8
2027-2031	0.4	-	-	-
2032-2036	0.4	-	-	-
2037-2041	0.4	-	-	-
2042-2046	0.4	-	-	-
2047-2051	0.1	-	-	-
Total	<u>\$ 135.2</u>	<u>\$ 140.6</u>	<u>\$ 44.5</u>	<u>\$ 185.1</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, 2006 (expressed in millions):

<u>Governmental Activities</u> <u>Year Ending June 30</u>	Certificates of Participation		
	Principal	Interest	Total
2007	\$ 9.5	\$ 3.7	\$ 13.2
2008	8.3	2.8	11.1
2009	5.6	2.5	8.1
2010	5.8	2.2	8.0
2011	6.0	2.0	8.0
2012-2016	25.0	6.1	31.1
2017-2021	14.6	1.6	16.2
Total	<u>\$ 74.8</u>	<u>\$ 20.9</u>	<u>\$ 95.7</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2007	\$ 327.9	\$ 220.6	\$ 548.5
2008	139.9	207.6	347.5
2009	142.3	201.6	343.9
2010	141.5	195.4	336.9
2011	174.6	188.4	363.0
2012-2016	851.1	818.3	1,669.4
2017-2021	687.1	653.9	1,341.0
2022-2026	753.6	565.3	1,318.9
2027-2031	613.7	317.8	931.5
2032-2036	360.0	184.7	544.7
2037-2041	318.2	60.1	378.3
2042-2046	65.8	20.5	86.3
2047-2051	35.9	3.8	39.7
Total debt service requirements	\$ 4,611.6	\$ 3,638.0	\$ 8,249.6
Unamortized discounts, unexpended bond proceeds, accreted interest, & deferred amount on refunding	23.8		
Total principal outstanding	\$ 4,635.4		

The preceding table does not include \$710,000 of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2006, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their terms are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt	Outstanding Variable-Rate Debt	Swap	Total
	Principal	Interest	Net Payment	Payment
2007	\$ 3,795	\$ 15,744	\$ 2,067	\$ 21,606
2008	4,640	15,644	2,045	22,329
2009	5,135	15,420	2,019	22,574
2010	5,465	15,231	1,990	22,686
2011	5,710	15,013	1,960	22,683
2012-2016	61,630	69,378	9,107	140,115
2017-2021	82,715	54,834	7,458	145,007
2022-2026	94,065	36,556	5,437	136,058
2027-2031	80,440	19,736	3,172	103,348
2032-2036	49,415	6,768	1,178	57,361
2037-2041	5,540	112	19	5,671
	<u>\$ 398,550</u>	<u>\$ 264,436</u>	<u>\$ 36,452</u>	<u>\$ 699,438</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2006, are included in the following schedule (in thousands). The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments AHFC would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁶
GP01A ¹	\$ 69,190	\$ (2,326)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A2
GP01B	84,555	(2,820)	8/2/2001	4.1427%	67% of LIBOR	12/1/2030	A+/Aa3
E021A1 ²	50,000	(1,326)	5/16/2002	4.1030%	68% of LIBOR	6/1/2032	AAA/Aaa
E021A2	120,000	(1,989)	5/16/2002	4.3430%	68% of LIBOR	12/1/2036	AAA/Aaa
SC02B ³	14,555	469	12/5/2002	3.7700%	70% of LIBOR	7/1/2024	AAA/Aaa
SC02C	60,250	81	12/5/2002	4.3030%	BMA ⁵ + 0.115%	7/1/2022	AAA/Aaa
Total	<u>\$ 398,550</u>	<u>\$ (7,911)</u>					

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate

⁵ The Bond Market Association Municipal Swap Index

⁶ 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, the majority of the AHFC's LIBOR-based and BMA-based interest rate swaps had a negative fair value as of June 30, 2006. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by AHFC, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to)

portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap liabilities in the marketplace if a swap were to be terminated.

RISKS

Credit Risk

As of June 30, 2006, AHFC was exposed to credit risk on its SC02B and SC02C outstanding swaps in the amount of the swap's fair value of \$550,000. 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 61 percent of the total notional amount of swaps is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, one of the counterparties is rated A+/Aa3 while the other counterparty is rated A/A2, approximating 21 percent and 18 percent, respectively, of the total outstanding notional swap value.

Basis Risk

A majority of AHFC's variable-rate demand obligation bond coupon payments are based on the BMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2006, the BMA rate was 3.97 percent, whereas LIBOR was 5.35 percent. Since the spread between LIBOR and BMA has narrowed since the agreements became effective, the expected cost savings from the swaps may not be as large as originally anticipated.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. 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, 2006, 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, 2006, the number of participating employers was:

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

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

The PERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment health care benefits when due. The actuarially determined employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The FY 06 actuarially determined rate was 27.65 percent (29.40 percent for peace officers and firefighters). The employer rate for the State of Alaska for the year ended June 30, 2006, was 17.65 percent of compensation (18.42 percent for peace officers and firefighters). This difference is attributable to a maximum allowable increase or decrease in the contribution rate for an employer from one year to the next of no more than 5 percent (Title 2 Alaska Administrative Code 35.900).

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2002	\$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%)
2004	2,880,188	4,194,403	(1,314,215)	68.7%	870,838	(150.9%)

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age 60 or older, regardless of initial hire dates. Employees first hired after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age 60, and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Police and fire employees with 25 years of membership service also receive benefits at no premium cost.

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

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

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
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%)
2004	2,030,875	2,957,551	(926,676)	68.7%	870,838	(106.4%)

The actuarial valuation as of June 30, 2003 set the contribution rates for the year ended June 30, 2006. The projected unit credit method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 06 follows (in thousands):

Annual Required Contribution	\$ 134,126
Interest on net pension obligation	4,851
Adjustment to annual required contribution	<u>(3,703)</u>
Annual Pension Cost (APC)	135,274
Contributions Made	<u>(84,676)</u>
Increase in Net Pension Obligation (NPO)	50,598
Net Pension Obligation Beginning of Year	<u>58,804</u>
Net Pension Obligation End of the Year	<u><u>\$ 109,402</u></u>

Three year trend information for pension benefits follows:

Year ended June 30	APC	Percentage of APC	
		Contributed	NPO
2004	\$ 57,483	100.0%	\$ -
2005	117,626	50.0%	58,804
2006	135,274	62.6%	109,402

The Teachers' Retirement System (TRS)

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

At June 30, 2006 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, 2006, was 21 percent of compensation.

Postemployment healthcare benefits are provided without cost to all employees first hired before July 1, 1990, employees hired after July 1, 1990 with 25 years of membership service, and employees who are disabled or age 60 or older, regardless of initial hire dates. Employees first hired after June 30, 1990, may receive postemployment healthcare benefits prior to age 60 by paying premiums.

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), a pension trust fund of the state, was established. The RHF is self-funded and provides major medical coverage to retirees. 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, 2006, 2005, and 2004 were \$10.1, \$7.5, and \$5.5 million respectively, equal to the required contributions for each year.

The Judicial Retirement System (JRS)

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

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

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

Members contribute 7 percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are 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, 2006, was 33.53 percent of compensation.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2000	\$68,116	\$68,888	\$ (772)	98.9%	\$5,702	(13.5%)
2002	56,705	63,970	(7,265)	88.6%	5,942	(122.3%)
2004	53,601	69,505	(15,904)	77.1%	6,530	(243.6%)

In replicating the June 30, 2004 actuarial valuation report, an error was discovered in the development of liabilities associated with post employment healthcare benefits. The information reported above corrects this information.

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

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2000	\$ 4,545	\$ 4,596	\$ (51)	98.9%	\$5,702	(0.9%)
2002	6,979	7,873	(894)	88.6%	5,942	(15.0%)
2004	16,855	21,856	(5,001)	77.1%	6,530	(76.6%)

In replicating the June 30, 2004 actuarial valuation report, an error was discovered in the development of liabilities associated with post employment healthcare benefits. The information reported above corrects this information.

The annual required contributions for pension benefits for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,133,876, \$1,911,799, and \$1,675,077. The state contributed 115.6 percent in FY 06 and 100 percent for FY 05 and FY 04. For FY 06, the state made pension contributions of \$2,467,780, resulting in a first time net pension asset of \$333,904.

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

The actuarial valuation as of June 30, 2002 set the contribution rates for the year ended June 30, 2006. The projected unit credit method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay. The State of Alaska's net pension obligation for FY 06 follows (in thousands):

Annual Required Contribution	\$ 2,025
Interest on net pension obligation	2
Adjustment to annual required contribution	(4)
Annual Pension Cost (APC)	<u>2,023</u>
Contributions Made	<u>(2,054)</u>
Increase in Net Pension Obligation/(Asset)	(31)
Net Pension Obligation Beginning of Year	<u>29</u>
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ (2)</u></u>

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

Year ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2004	\$ 1,323	100.0%	\$ -
2005	2,025	98.6%	29
2006	2,023	101.5%	(2)

The Elected Public Officers Retirement System (EPORS)

EPORS is a defined benefit single-employer retirement plan administered by the state to provide pension and post-employment healthcare benefits to the governor, the lieutenant governor, and all legislators that participated in the System between January 1, 1976, and October 14, 1976. EPORS is funded by both employee contributions and an annual appropriation from the state General Fund. Retirement benefits are based on the member's years of service and the current salary for the position from which they retired or an average of the three highest consecutive years' salaries. The pension benefit is equal to 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, 2006, 2005, and 2004 was \$1.7 million, \$1.6 million, and 1.8 million. The contributions received from employees totaled \$12,189 in FY 06. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2005.

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

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

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

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

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

Year ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2004	\$ 1,207	100.0%	\$ -
2005	1,197	100.0%	-
2006	1,250	100.0%	-

ASSET VALUATION

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

Systems	Fair Value
Public Employees' Retirement System	\$10,302,183
Teachers' Retirement System	4,716,935
Judicial Retirement System	87,283
Alaska National Guard and Alaska Naval Militia Retirement System	17,413

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, 2006.

	PERS 6/30/06	TRS 6/30/06	JRS 6/30/06	NGNMRS 6/30/06	EPORS 6/30/06
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	27,954	10,083	93	1,474	36
Current active employees:					
Vested	19,151	5,524	41	*	3
Nonvested	15,509	4,311	25	4,339	-
Total	<u>62,614</u>	<u>19,918</u>	<u>159</u>	<u>5,813</u>	<u>39</u>

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

FUNDING STATUS AND PROGRESS

Actuarial Method and Assumptions

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

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

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Care Inflation		Consumer Price Index Inflation	Valuation Date	
			Medical	Rx			
PERS	8.25%	6.0% first 5 years - Police & Firefighters, 5.5% first 10 Years – all others	FY 05	9.5%	14.0%	3.5%	6/30/2004
			FY 06	9.0%	13.0%		
			FY 07	8.5%	12.0%		
TRS	8.25%	5.5% first 5 years	FY 05	9.5%	14.0%	3.5%	6/30/2004
			FY 06	9.0%	13.0%		
			FY 07	8.5%	12.0%		
JRS	8.25%	4.0% per year	FY 05	12.0%	3.5%	6/30/2004	
			FY 06	11.5%			
			FY 07	11.0%			
NGNMRS	8.25%	–		–	–	6/30/2004	
EPORS	5.00%	4.0 % per year	FY 06	9.5%	14.0%	3.5%	6/30/2005
			FY 07	9.0%	13.0%		

All assets are at market value.

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

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS’ BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the state contributes an amount (set by union contract) for each

employee. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$862.5 thousand in FY 06.

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, 2006, there were sixteen other employers participating in SBS. There were approximately 34,000 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The state is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The state's mandatory contributions for the year ending January 31, 2006, were \$102,116,039. The state's covered payroll was approximately \$832,900,000.

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, 2006, were \$4,655,906.

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 assistance. 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 assistance, are provided through insurance policies. The state administers the dependent care assistance plan.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2006. 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 \$688,988 in FY 06.

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 and long term non-permanent employees, or elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions who perform services for the State in the capacity of an independent contractor) who have completed a full pay period of employment. Participants authorize the state to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2005, the Plan had approximately 8,300 participants.

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

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

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

Deferred Compensation net assets as of December 31, 2005, were \$476,946,000. 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, 2006, 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	\$ -	\$ 838	\$ 135	\$ 3,557	\$ 2,672	\$ 7,202
Alaska Permanent Fund	725,366	-	-	-	-	725,366
Nonmajor						
Governmental Funds	11,999	-	-	-	-	11,999
International Airports	28,637	-	-	-	-	28,637
Nonmajor						
Enterprise Funds	943	-	-	-	-	943
Internal Service Funds	556	-	-	-	-	556
Fiduciary Funds	1,883	-	-	-	-	1,883
Other	3,900	(1)	1,034	1,156	(93)	5,996
Total	<u>\$ 773,284</u>	<u>\$ 837</u>	<u>\$ 1,169</u>	<u>\$ 4,713</u>	<u>\$ 2,579</u>	<u>\$ 782,582</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, 2006.

The \$725 million balance due from the Alaska Permanent Fund to the General Fund includes \$688 million for payment of 2006 Permanent Fund dividends to qualified residents of the state and administrative and associated costs of the 2006 Permanent Dividend Program. The remaining balance of \$37 million Due from the Alaska Permanent Fund is payable to the Alaska Capital Income Fund, a subfund of the General Fund. The Due to the Alaska Capital Income Fund is for realized earnings on the principal balance of the dedicated state revenues from the settlement of the North Slope royalty case, *State v. Amerada Hess, et. al.*

The majority of the other Due from Other Funds and Due to Other Funds balances are attributable to FY 06 activity during the reappropriation period in July and August 2006 that caused the movement of cash balances between funds after June 30, 2006.

INTERFUND TRANSFERS

Transfers From	Transfers to					Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund		\$ 44,141	\$ 1,802	\$11,233	\$ -	\$ 57,176
Alaska Permanent Fund	725,366	-	-	-	-	725,366
Nonmajor						
Governmental Funds	16,865	35	-	-	1,722	18,622
Nonmajor Enterprise Funds	6,690	5	-	-	1	6,696
Internal Service Funds	2,107	-	-	-	46	2,153
Other	10,162	-	-	-	-	10,162
Total	<u>\$761,190</u>	<u>\$ 44,181</u>	<u>\$ 1,802</u>	<u>\$11,233</u>	<u>\$ 1,769</u>	<u>\$820,175</u>

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments come due, and transfer accumulated surpluses from Other funds to the General Fund. The transfer from Alaska Permanent Fund to the General Fund includes a \$689 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The transfer from other to the General Fund represents an appropriation from the Investment Loss Trust account within the Supplemental Benefit Fund, a fiduciary fund, which does not report the transfer out. The transfer from Nonmajor Governmental Funds to Other represents a transfer from the National Petroleum Reserve Account to the Alaska Permanent Fund component unit, which does not report a transfer in. The transfer from nonmajor enterprise funds to other represents rounding differences. The transfer from Internal Service Funds to Other represents the difference between what the Correctional Industries Fund, an Internal Service Fund, reported as a transfer out and what the General Fund reported as a transfer in. This difference is due to capital assets that did not meet the threshold for capitalization and were expensed, and debt of the Correctional Industries Fund, which was recorded in the Government-wide statements. Previously, this type of expense was recorded in the fund due to its nature, but once it was re-classified as a governmental fund, the debt only gets recorded in the Government-wide statements.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

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

The estimated amount of unused accumulated sick leave as of June 30, 2006, is \$33,719,506. This amount was calculated using the base pay on file for each employee as of June 30, 2006. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

Under a program enacted in 1970 (AS 14.11.100), the state may reimburse municipalities up to 60, 70, 80, 90, or 100 percent of debt service on bonds issued to finance school construction. The percentage depends on the year in which the costs are incurred. The 60 percent limitation, enacted in 2002, applies to fiscal years after June 30, 1999. The higher percentages apply to earlier years.

Although the statute provides that the state may reimburse school districts 60, 70, 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the state to make these payments. The amount for FY 06 expended for school debt was \$79,859,214, which was 100 percent of the entitlement. The total debt requirement assuming the state makes full payment of its share of school debt service would be approximately \$1,176,656,436. 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 06, 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, 2005 and June 30, 2006. The state records its related liability using discounted amounts provided by actuaries. Unpaid claim liabilities for Risk Management are presented at their present value using a 3 percent discount interest rate for FY 05 and a 3.5 percent discount interest rate for FY 06.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2005	\$ 69,177,486	\$ 22,354,560	\$ (24,956,131)	\$ 66,575,915
2006	66,575,915	30,332,586	(26,463,026)	70,445,475

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 \$12,236,000, with an additional possible liability of \$60,294,000. The probable loss amount has been reported as long-term debt obligations.

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

E. FEDERAL GRANTS

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

F. DISASTER RELIEF FUND

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

G. FUTURE LOAN COMMITMENTS

As of June 30, 2006, the Alaska Clean Water Fund and the Alaska Drinking Water Fund committed to disbursing future loans for a net total of \$79,296,718 and \$30,445,432 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, 2006, the Alaska Energy Authority had open loan commitments of \$3,451,000 and held approximately \$5,174,000 of investments in escrow.

At June 30, 2006, the Alaska Industrial Development and Export Authority (AIDEA) had extended open loan commitments of \$38,629,000 and loan guarantees of \$1,608,000. In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of \$30,000,000. No loans have been made pursuant to this authorization.

H. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments.

Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 69,729,977	\$ 31,886,112	\$ 627,726	\$ 99,660
Limited Partnership 94% paid through 2010. 6% withdrawn annually in December with 90 days notice. To be paid through 2007.	507,540,902 23,056,852	232,081,930 10,543,148		
Real Estate Investment To be paid through 2010.	228,703,629	104,579,278	2,207,964	
	\$ 829,031,360	\$ 379,090,468	\$ 2,835,690	\$ 99,660

NOTE 12 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2006, the Bond Bank issued one general obligation bond series: 2006 Series Two, in the face amount of \$40,265,000 with interest rates ranging from 4.25 percent to 4.5 percent, over maturities of December 1, 2007 through December 1, 2011.

B. ALASKA STUDENT LOAN CORPORATION

On July 1, 2006, the Alaska Student Loan Corporation called all outstanding Series 1996 A Bonds at par in the amount of \$23,000,000.

C. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 07. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

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

D. ALASKA DRINKING WATER FUND

Plans are in place to issue Series B Revenue Bond Anticipation Notes for FY 07. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

E. NORTHERN TOBACCO SECURITIZATION CORPORATION

On August 17, 2006, the Northern Tobacco Securitization Corporation issued \$411,988,000 of its Tobacco Settlement Asset-Backed Bonds, 2006 Series A, B, and C. Proceeds of the sale were used to fully defease the Corporation's outstanding Tobacco Settlement Asset-Backed Bonds, Series 2000 and Series 2001. Pursuant to the terms of the 2006 Bond Indenture, proceeds from the sale in the amount of \$170,000,000 will be used to fund additional capital projects as appropriated by the Alaska State Legislature.

F. ALASKA HOUSING FINANCE CORPORATION

On July 1, 2006, \$300,000,000 of state appropriated funds was transferred to the Alaska Housing Capital Corporation, a subsidiary of the Alaska Housing Finance Corporation.

On July 20, 2006, the Alaska Housing Finance Corporation (AHFC) issued \$75,000,000 Home Mortgage Revenue Bonds, 2006 Series C. The Bonds are general obligations of AHFC that bear interest at fixed rates between 3.9 percent and 5.5 percent, payable on each June 1 and December 1, with a final maturity date of December 1, 2037. The scheduled debt service on the Bonds is guaranteed under an insurance policy issued by MBIA Insurance Corporation. The Bonds are primarily secured by program obligations consisting of qualifying mortgage loans purchased from bond proceeds.

On August 9, 2006, AHFC's Board of Directors authorized the issuance of \$190,000,000 Collateralized Bonds, 2006 First Series (Veterans Mortgage Program).

G. PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS

During the 2005 legislative session, a law was enacted that closes these two retirement plans. Senate Bill 141, signed into law on July 27, 2005 and effective July 1, 2006, closes the plans to new members and creates two new defined contribution plans for members first hired on or after July 1, 2006.

Required Supplementary Information



STATE OF ALASKA
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,611,345	\$ 1,610,132	\$ 2,316,068	\$ (705,936)
Licenses and Permits	111,198	101,717	102,094	(377)
Charges for Services	153,608	137,422	158,204	(20,782)
Fines and Forfeitures	17,000	17,000	10,368	6,632
Rents and Royalties	1,174,926	1,174,221	1,758,997	(584,776)
Premiums and Contributions	421	362	11,567	(11,205)
Interest and Investment Income	142,200	142,200	154,903	(12,703)
Payments In from Component Units	53,511	53,511	53,511	0
Other Revenues	14,849	14,849	52,496	(37,647)
Restricted:				
Federal Grants in Aid	5,650,015	5,708,937	1,920,818	3,788,119
Interagency	519,769	766,054	461,654	304,400
Payments In from Component Units	222,664	222,636	51,044	171,592
Other Revenues	24,679	4,680	4,923	(243)
Total Revenues	9,696,185	9,953,721	7,056,647	2,897,074
EXPENDITURES				
Current:				
General Government	453,154	465,868	381,539	84,329
Alaska Permanent Fund Dividend	511,046	511,046	505,093	5,953
Education	1,351,005	1,368,216	1,294,300	73,916
University	766,217	768,574	259,013	509,561
Health and Human Services	2,489,246	2,548,622	1,979,219	569,403
Law and Justice	185,529	207,717	188,928	18,789
Public Protection	720,750	775,616	626,114	149,502
Natural Resources	448,249	487,633	306,948	180,685
Development	337,696	681,039	563,579	117,460
Transportation	4,379,956	4,600,997	1,429,967	3,171,030
Intergovernmental Revenue Sharing	62,561	63,304	62,538	766
Debt Service:				
Principal	11,565	11,565	10,875	690
Interest and Other Charges	3,739	3,739	3,739	0
Total Expenditures	11,720,713	12,493,936	7,611,852	4,882,084
Excess (Deficiency) of Revenues Over Expenditures	(2,024,528)	(2,540,215)	(555,205)	(1,985,010)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	24,000	24,000	24,000	0
Bonds Issued Premium	562	562	562	0
Other Debt Proceeds	1,957	1,957	1,957	0
Transfers In from Other Funds	1,161,053	2,388,801	2,388,335	466
Transfers (Out to) Other Funds	(764,741)	(1,687,077)	(1,688,102)	1,025
Total Other Financing Sources and Uses	422,831	728,243	726,752	1,491
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis				
	\$ (1,601,697)	\$ (1,811,972)	171,547	\$ (1,983,519)
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			1,013,617	
Basis Difference			67,987	
Perspective Difference			21	
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses GAAP Basis				
			1,253,172	
Fund Balances - Beginning of Year			4,069,735	
Prior Period Adjustment			393	
Fund Balances - End of Year			\$ 5,323,300	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2006**

The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The State issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99821-0204, or may be viewed online at http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp, the Division of Finance web page under the “Of Interest”, “Financial Reports” section.

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$	61,120
Medical Assistance Program		714
Working Reserve		6,219
Tobacco Tax		(267)
Alcohol Tax		145
Tire Tax		(11)
Vehicle Rental Tax		67
Total General Fund Basis Difference		\$ 67,987

- Perspective differences result from the structure of financial information for budgetary purposes. The federal receipts/disbursements for PL 103-382, Title VIII are budgeted in the general fund but are accounted for as an agency fund.

Federal Receipts for PL 103-382 (Impact Aid)		21
Total General Fund Perspective Difference		\$ 21



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Combining Fund Statements



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 3.01

	Permanent Fund		Special Revenue Funds
	Public School Trust Fund		
ASSETS			
Cash and Investments	\$ 329,725	\$	99,064
Accounts Receivable - Net	1,178		3,095
Interest and Dividends Receivable	758		
Due from Other Funds	596		241
Due from Component Units			
Due from Other Governments			4,964
Loans, Notes, and Bonds Receivable	74		
Securities Lending Collateral	11,690		5,480
Other Assets			33
Total Assets	\$ 344,021	\$	112,877
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 8	\$	9,817
Obligations Under Securities Lending	11,690		5,480
Due to Other Funds			3,228
Due to Component Units			12
Unearned and Deferred Revenue	721		
Other Liabilities	2		326
Total Liabilities	12,421		18,863
Fund Balances:			
Reserved:			
Encumbrances			40,545
Debt Service			
Other Purposes	321,514		1,807
Unreserved:			
Designated for Continuing Appropriations	583		9,862
Designated for Other			56
Undesignated	9,503		41,744
Total Fund Balances	331,600		94,014
Total Liabilities and Fund Balances	\$ 344,021	\$	112,877

STATEMENT 3.01

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 35,907	\$ 211,162	\$ 675,858
2	936	4,273
		1,696
		837
	1,947	1,947
		4,964
426		74
		17,596
		33
<u>\$ 36,335</u>	<u>\$ 214,045</u>	<u>\$ 707,278</u>
\$ 426	\$ 1,328	\$ 11,153
		17,596
	8,771	11,999
		12
		721
		328
<u>426</u>	<u>10,099</u>	<u>41,809</u>
	63,340	103,885
35,909		35,909
		323,321
	127,375	137,820
		56
	13,231	64,478
<u>35,909</u>	<u>203,946</u>	<u>665,469</u>
<u>\$ 36,335</u>	<u>\$ 214,045</u>	<u>\$ 707,278</u>

STATE OF ALASKA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 3.02

	Permanent Fund Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	\$	\$ 27,394
Licenses and Permits		27,510
Charges for Services		1,206
Fines and Forfeitures	1	72
Rents and Royalties	12,051	4,473
Premiums and Contributions		6,339
Interest and Investment Income	13,548	1,107
Federal Grants in Aid		27,128
Other Revenues		765
Total Revenues	25,600	95,994
EXPENDITURES		
Current:		
General Government	160	1,769
Education	520	27,390
University		
Health and Human Services		4,598
Law and Justice	3	469
Public Protection		936
Natural Resources		55,926
Development		17,160
Transportation		34
Debt Service:		
Principal		
Interest and Other Charges		
Total Expenditures	683	108,282
Excess (Deficiency) of Revenues		
Over Expenditures	24,917	(12,288)
OTHER FINANCING SOURCES (USES)		
Bonds Issued		
Bonds Issued Premium		
Transfers In from Other Funds	35	3,135
Transfers (Out to) Other Funds	(11,947)	(1,757)
Total Other Financing Sources		
and Uses	(11,912)	1,378
Net Change in Fund Balances	13,005	(10,910)
Fund Balances - Beginning of Year	318,595	104,924
Fund Balances - End of Year	\$ 331,600	\$ 94,014

STATEMENT 3.02

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$
		27,394
		27,510
		1,206
		73
		16,524
		6,339
1,288	8,830	24,773
		27,128
15,980		16,745
<u>17,268</u>	<u>8,830</u>	<u>147,692</u>
		1,929
	35,244	63,154
	13,251	13,251
		4,598
		472
		936
	353	56,279
		17,160
	60,990	61,024
29,090		29,090
<u>33,790</u>	<u>900</u>	<u>34,690</u>
<u>62,880</u>	<u>110,738</u>	<u>282,583</u>
(45,612)	(101,908)	(134,891)
5,299	62,761	68,060
	294	294
41,011		44,181
	<u>(4,918)</u>	<u>(18,622)</u>
46,310	58,137	93,913
698	(43,771)	(40,978)
35,211	247,717	706,447
<u>\$ 35,909</u>	<u>\$ 203,946</u>	<u>\$ 665,469</u>



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General Fund

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

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

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

- **Alaska Veterans' Memorial Endowment (Fund 36010)** – AS 37.14.700(a) – Administered by the Department of Military and Veterans' Affairs to maintain and develop veteran memorials or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- **Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 11178)** – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- **Anatomical Gift Awareness Fund (Fund 11183)** – AS 13.50.160(a) – Administered by the Department of Administration. This fund was established to promote gifts under AS 13.50 the Health Care Decisions Act and to administer the donation program established under AS 13.50.130. The fund consists of donations and fees collected to support the Donor Registry Program.
- **Art in Public Places Fund (Fund 11124)** – AS 44.27.060 – Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.
- **Assistive Technology Loan Guarantee Fund (Fund 11154)** – AS 23.15.125 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- **Budget Reserve Fund (Fund 11115)** – AS 37.05.540 – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit may be appropriated to the budget reserve fund.
- **Building Safety Account (Fund 11177)** – AS 44.31.025 – Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 - 18.60.395, 18.60.800 - 18.60.620, and AS 18.62 relating to building safety and certificates of fitness.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174)** – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department's operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department's operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.
- **Constitutional Budget Reserve Fund (Fund 33041)** – Alaska Constitution, Article IX, Section 17; AS 37.13 – Administered by the Department of Revenue. All money received by the state as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- **Disaster Relief Fund (Fund 12120)** – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the state.
- **Donated Commodity Fee Fund (Fund 11120)** – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- **Educational Facilities Maintenance and Construction Fund (Fund 11142)** – AS 37.05.560 – Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.

- **Election Fund (Fund 11179)** – Federal H.R. 3295, “The Help America Vote Act”. Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- **Employment Assistance and Training Program Account (Fund 11134)** – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the unemployment compensation fund established in AS 23.20.130.
- **Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund (Fund 11161)** – AS 44.33.115 – Administered by the Department of Commerce, Community, and Economic Development. The department may use the fund to make grants to unincorporated rural communities in the area affected by the Exxon Valdez oil spill for capital projects for purposes of restoring, replacing, or enhancing subsistence resources or services or other services damaged or lost as a result of the Exxon Valdez oil spill.
- **FHWA - Airspace Leases Fund (Fund 11126)** – Section 156 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 requires that the state shall charge fair market value for the sale, use, or lease rentals of right-of-way airspace and that the federal share of these net incomes be used by the state for highway projects. This fund accounts for those revenues. The revenues are available for appropriation by the legislature for highway projects.
- **FICA Administration Fund (Fund 11110)** – AS 39.30.050 – Administered by the Department of Administration. The fund consists of the pro rata share of expenses incurred in the administration of 39.30.010 – 39.30.080 and collected from participating political subdivisions and from the state.
- **Fisheries Disaster Fund (Fund 11180)** – PL 108-7, SEC 2, Division N, Title V – Fisheries Disasters, Sec. 501(a). Administered by the Office of the Governor. \$35,000,000 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities, which have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; and assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.
- **Fuel Emergency Fund (Fund 11125)** – AS 26.23.400 – Administered by the Office of the Governor. This fund is used when the governor determines that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a city or borough, or to a village or unincorporated community to purchase emergency supplies of fuel.
- **Fund for the Improvement of School Performance (Fund 11145)** – AS 14.03.125 – Administered by the Department of Education and Early Development. It is used to make grants to a district located in the state for the purpose of improving school performance.
- **Major Maintenance Grant Fund (Fund 11144)** – AS 14.11.007 – Administered by the Department of Education and Early Development. The fund is used to make grants for the cost of school major maintenance.
- **Memorial Education Revolving Loan Fund (Fund 21611)** – AS 14.43.255 – Administered by the Department of Education and Early Development. The fund was created to pay tribute to the memory of Alaskans who, by example of their lives, or by their distinguished contribution and service to the state, their community, or their profession, exemplified the best that is the challenge of “The Great Land.” The funds shall be used to provide education loans to students selected under AS 14.43.250-325.
- **Municipal Capital Project Matching Grant Fund (Fund 11146)** – AS 37.06.010 – Administered by the Department of Commerce, Community, and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- **Oil and Hazardous Substance Release Prevention and Response (Fund 11128)** – AS 46.08.010 – Administered by the Department of Environmental Conservation. This fund is composed of two accounts: (1) the prevention account and (2) the response account. The fund consists of appropriations by the legislature of money from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under Chapter 46. This money is for the containment and cleanup of oil or a hazardous substance; monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance; and recovery of the cost to the state of the containment and cleanup of oil or a hazardous substance.

- **Oil and Hazardous Substance Release Prevention Mitigation Account (Fund 11139)** – AS 46.08.020(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance; and fines, penalties, or damages recovered under AS 46.08.005–46.08.080. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the prevention account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Oil and Hazardous Substance Release Response Mitigation Account (Fund 11153)** – AS 46.08.025(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site for which the state expended money from the former oil and hazardous substance release response fund before October 2, 1994, or for which the state expended money from the response account. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the response account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Permanent Fund Dividend Fund (Fund 33020)** – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- **Public Education Fund (Fund 11184)** – AS 14.17.300 – Administered by the Department of Education and Early Development. This account may be expended only in aid of public schools and for centralized correspondence study programs under Chapter 17 – Financing of Public Schools, and for transportation of pupils under AS 14.09.010.
- **Railbelt Energy Fund (Fund 11123)** – AS 37.05.520 – Managed by the Department of Revenue. The legislature may appropriate money from the fund for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.
- **Randolph-Sheppard Small Business Fund (Fund 11118)** – AS 23.15.130, 20 USC 107-107(f) – Administered by the Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- **Real Estate Surety Fund (Fund 11121)** – AS 08.88.450 – Administered by the Department of Commerce, Community, and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.
- **School Construction Grant Fund (Fund 11143)** – AS 14.11.005 – Administered by the Department of Education and Early Development. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund.
- **School Trust Land Sales (Fund 11162)** – Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for the sales of 21 parcels of public school trust land the status of which is in litigation.
- **Senior Care Fund (Fund 11182)** – Chapter 3, SLA 2004 amended the uncodified law of the State of Alaska by creating the Senior Care Fund to be used by the Department of Health and Social Services. The fund is used to pay for the costs incurred for the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as far as practicable under appropriations provided by law.
- **State Insurance Catastrophe Reserve Account (Fund 11133)** – AS 37.05.289 – Administered by the Department of Administration. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

- **State Land Disposal Income Fund (Fund 11164)** – AS 38.04.022(a) – Administered by the Department of Natural Resources. The fund consists of revenue from the state land disposal program.
- **State Land Reforestation Fund (Fund 12130)** – AS 41.17.300 – Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation, seed and seedling acquisition and cultivation, planting, and other reforestation measures, timber stand improvement, and the development of materials and techniques for the reforestation of state land.
- **Storage Tank Assistance Fund (Fund 11136)** – AS 46.03.410 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated to it by the legislature. The receipts of the fund may be used for certain costs as defined in AS 46.03.410(a) relating to underground petroleum storage tank systems and for grants and loans.
- **Surplus Property Revolving Fund (Fund 11112)** – AS 37.05.500(a)(2), AS 44.68.130 – Administered by the Department of Administration. This fund is to account for revenues from the users or purchasers of excess federal property that the state has acquired and is used to pay the administrative expenses incurred in managing this property.
- **Tobacco Use Education and Cessation Fund (Fund 11175)** – AS 37.05.580 – Administered by the Department of Health and Social Services. This fund consists of 20 percent of the annual revenue derived from the settlement of State of Alaska v. Philip Morris, Incorporated, et al, No. 1JU-97-915 CI (Alaska Super. 1997). The purpose of this fund is to provide a source to finance the comprehensive smoking education, tobacco use prevention, and tobacco control program authorized by AS 44.29.020(a)(15).
- **TAPS Rebate Fund (Fund 11163)** – Federal PL 101-380, sec. 8102(a)(B)(I) – The federal government has rebated the pro rata share of the federal TAPS (Trans-Alaska Pipeline Liability Fund) to the State of Alaska for its contributions as an owner of oil. The funds are to be used for the remediation of above-ground storage tanks.
- **Training and Building Fund (Fund 12121)** – AS 23.20.130(d) – Administered by the Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available and for the acquisition of land and buildings for the purpose of providing office space for the department.
- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 11116)** – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Compensation Benefits Guaranty Fund (Fund 11186)** – AS 23.30.082 – Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **Workers' Safety and Compensation Administration Account (Fund 11173)** – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the state for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.

STATE OF ALASKA
Combining Balance Sheet
General Fund
June 30, 2006
(Stated in Thousands)

STATEMENT 3.11

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
ASSETS			
Cash and Investments	\$ 2,265,578	\$ 12,480	\$ 871,846
Accounts Receivable - Net		2	1,110
Interest and Dividends Receivable	1,447	57	
Due from Other Funds	5,247,827	688,618	209,130
Due from Component Units			
Due from Other Governments		166	
Loans, Notes, and Bonds Receivable			
Inventories			
Securities Lending Collateral	422,677		
Other Assets		11	
Total Assets	<u>\$ 7,937,529</u>	<u>\$ 701,334</u>	<u>\$ 1,082,086</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 27	\$ 3,158	\$ 60
Obligations Under Securities Lending	422,677		
Due to Other Funds		616	
Due to Component Units			
Due to Other Governments			
Unearned and Deferred Revenue		157	
Other Liabilities		5	
Total Liabilities	<u>422,704</u>	<u>3,936</u>	<u>60</u>
Fund Balances:			
Reserved:			
Encumbrances		370	
Nonliquid Assets	5,091,130		
Other Purposes			
Unreserved:			
Designated for Continuing Appropriations		203	
Designated for Other		696,825	1,082,026
Undesignated	2,423,695		
Total Fund Balances	<u>7,514,825</u>	<u>697,398</u>	<u>1,082,026</u>
Total Liabilities and Fund Balances	<u>\$ 7,937,529</u>	<u>\$ 701,334</u>	<u>\$ 1,082,086</u>

STATEMENT 3.11

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 1,285,752	\$	\$ 4,435,656
345,413		346,525
6,811		8,315
87,707	(5,459,998)	773,284
19,876		19,876
456,066		456,232
18,604		18,604
12,424		12,424
442,782		865,459
12,639		12,650
<u>\$ 2,688,074</u>	<u>\$ (5,459,998)</u>	<u>\$ 6,949,025</u>
\$ 479,431	\$	\$ 482,676
442,782		865,459
5,466,584	(5,459,998)	7,202
1,653		1,653
139		139
267,588		267,745
846		851
<u>6,659,023</u>	<u>(5,459,998)</u>	<u>1,625,725</u>
289,340		289,710
28,337		5,119,467
37,908		37,908
362,758	(362,961)	0
401,838	(2,180,689)	0
(5,091,130)	2,543,650	(123,785)
(3,970,949)	0	5,323,300
<u>\$ 2,688,074</u>	<u>\$ (5,459,998)</u>	<u>\$ 6,949,025</u>

STATE OF ALASKA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 3.12

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
REVENUES			
Taxes	\$ 24,732	\$	\$
Licenses and Permits			
Charges for Services		263	
Fines and Forfeitures	3	439	
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income	107,624		
Federal Grants in Aid		3,208	1,015
Payments In from Component Units			
Other Revenues		17	43
Total Revenues	<u>132,359</u>	<u>3,927</u>	<u>1,058</u>
EXPENDITURES			
Current:			
General Government	15,540	5,909	
Alaska Permanent Fund Dividend		505,093	
Education			862,376
University			
Health and Human Services		12,142	
Law and Justice		982	
Public Protection		10,157	
Natural Resources			
Development			
Transportation			
Intergovernmental Revenue Sharing			
Debt Service:			
Principal			
Interest and Other Charges			
Total Expenditures	<u>15,540</u>	<u>534,283</u>	<u>862,376</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>116,819</u>	<u>(530,356)</u>	<u>(861,318)</u>
OTHER FINANCING SOURCES (USES)			
Bonds Issued			
Bonds Issued Premium			
Other Debt Proceeds			
Capital Leases			
Transfers In from Other Funds	191	688,618	1,526,506
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>191</u>	<u>688,618</u>	<u>1,526,506</u>
Net Change in Fund Balances	117,010	158,262	665,188
Fund Balances - Beginning of Year	7,397,815	539,136	416,838
Prior Period Adjustment			
Fund Balances - End of Year	<u>\$ 7,514,825</u>	<u>\$ 697,398</u>	<u>\$ 1,082,026</u>

STATEMENT 3.12

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 2,309,137	\$	\$ 2,333,869
102,094		102,094
157,941		158,204
9,926		10,368
1,802,250		1,802,250
11,567		11,567
71,400		179,024
1,966,216		1,970,439
104,555		104,555
57,358		57,418
<u>6,592,444</u>	<u>0</u>	<u>6,729,788</u>
213,472		234,921
		505,093
301,993		1,164,369
258,942		258,942
1,777,699		1,789,841
168,254		169,236
516,239		526,396
198,556		198,556
460,785		460,785
833,547		833,547
59,477		59,477
10,875		10,875
3,739		3,739
<u>4,803,578</u>	<u>0</u>	<u>6,215,777</u>
1,788,866	0	514,011
24,000		24,000
562		562
1,957		1,957
8,628		8,628
60,625	(1,514,750)	761,190
(1,571,926)	1,514,750	(57,176)
<u>(1,476,154)</u>	<u>0</u>	<u>739,161</u>
312,712	0	1,253,172
(4,284,054)		4,069,735
393		393
<u>\$ (3,970,949)</u>	<u>\$ 0</u>	<u>\$ 5,323,300</u>



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Permanent Funds

A description of the individual permanent funds is contained in the Notes to the Basis Financial Statements – Note 1A. Permanent funds account for permanent endowments created when the principal amount of a contribution must be invested and preserved but earnings on amounts invested can be used for public purpose. The Alaska Permanent Fund and the Public School Trust Fund are presented in the following statements:

- 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.
- Statement 3.23 contains the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the Permanent Funds.



STATE OF ALASKA

STATEMENT 3.23

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

Permanent Funds

For the Fiscal Year Ended June 30, 2006

(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	\$ 1	\$ 1	\$ 0
Rents and Royalties	12,051	12,051	0
Interest and Investment Income	13,028	13,028	0
Total Revenues	<u>25,080</u>	<u>25,080</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government	219	160	59
Law and Justice	3	3	0
Natural Resources	583		583
Total Expenditures	<u>805</u>	<u>163</u>	<u>642</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,275</u>	<u>24,917</u>	<u>(642)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	35	35	0
Transfers (Out to) Other Funds	(11,947)	(11,947)	0
Total Other Financing Sources and Uses	<u>(11,912)</u>	<u>(11,912)</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ 12,363</u>	13,005	<u>\$ (642)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		13,005	
Fund Balances - Beginning of Year		318,595	
Fund Balances - End of Year		<u>\$ 331,600</u>	

STATEMENT 3.23

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 599,395	\$ 599,395	\$ 0	\$ 1	\$ 1	\$ 0
3,135,330	3,135,330	0	3,148,358	3,148,358	0
<u>3,734,725</u>	<u>3,734,725</u>	<u>0</u>	<u>3,759,805</u>	<u>3,759,805</u>	<u>0</u>
62,572	57,301	5,271	62,791	57,461	5,330
1,477	1,477	0	1,480	1,480	0
4,252	4,252	0	4,835	4,252	583
<u>68,301</u>	<u>63,030</u>	<u>5,271</u>	<u>69,106</u>	<u>63,193</u>	<u>5,913</u>
3,666,424	3,671,695	(5,271)	3,690,699	3,696,612	(5,913)
1,722	1,722	0	1,757	1,757	0
(725,366)	(725,366)	0	(737,313)	(737,313)	0
<u>(723,644)</u>	<u>(723,644)</u>	<u>0</u>	<u>(735,556)</u>	<u>(735,556)</u>	<u>0</u>
\$ 2,942,780	2,948,051	\$ (5,271)	\$ 2,955,143	2,961,056	\$ (5,913)
	2,948,051			2,961,056	
	29,961,668			30,280,263	
	<u>\$ 32,909,719</u>			<u>\$ 33,241,319</u>	



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Nonmajor Special Revenue Funds

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

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

- **Mine Reclamation Trust Fund (Fund 12140)** – AS 37.14.800(A) – Administered by Department of Natural Resources. The principal and earnings of the fund shall be held by the state for the purpose of protecting the public interest in reclaiming mine sites in the state. The fund is composed of the mine reclamation trust fund income account and the mine reclamation trust fund operating account. The fund’s income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account. The mine reclamation trust fund operating account consists of appropriations by the legislature of the annual balance of the mine reclamation trust fund income account and any earnings on those appropriations while in the operating account.
- **National Petroleum Reserve Fund (Fund 12131)** – AS 37.05.530 – Administered by Department of Commerce, Community, and Economic Development. This fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 since December 12, 1980, less the amount deposited in the general fund and expended by the State by general fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- **Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 21664)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Reclamation Bonding Pool Fund (Fund 12132)** – AS 27.19.040 – Administered by Department of Natural Resources. The fund is a statewide bonding pool for mining operations as an alternative to individual financial assurance. A miner participating in the bonding pool contributes a nonrefundable annual fee and an initial deposit that is refunded upon satisfactory completion of the approved reclamation plan. If a miner violates the reclamation plan, the financial assurance is forfeited and deposited in the fund. Income and other earnings on the bonding pool are also added to the fund. The reclamation and administrative costs and forfeited financial assurances are used for reclamation of the mining sites subject to forfeiture.
- **School Fund (Fund 12123)** – AS 43.50.140 – Administered by Department of Revenue and Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the state's school facilities, and for costs of insurance on buildings comprising school facilities.
- **Second Injury Fund (Fund 11117)** – AS 23.30.040 – Administered by Department of Labor and Workforce Development. The fund consists of contributions from employers collected under AS 23.30.040(b) and (c), and civil penalties collected under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under AS 23.30.





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STATE OF ALASKA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve
ASSETS					
Cash and Investments	\$ 4,927	\$ 11,652	\$ 12,224	\$ 3,972	\$ 47,957
Accounts Receivable - Net			4	3,088	
Due from Other Funds		241			
Due from Other Governments			4,937		
Securities Lending Collateral			2,333		
Other Assets	3		30		
Total Assets	\$ 4,930	\$ 11,893	\$ 19,528	\$ 7,060	\$ 47,957
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 467	\$ 66	\$ 2,526	\$ 2,017	\$ 4,548
Obligations Under Securities Lending			2,333		
Due to Other Funds	94		2,692		
Due to Component Units					
Other Liabilities					
Total Liabilities	561	66	7,551	2,017	4,548
Fund Balances:					
Reserved:					
Encumbrances	12	20	757		38,937
Other Purposes			947		
Unreserved:					
Designated for Continuing Appropriations			1,926		
Designated for Other					
Undesignated	4,357	11,807	8,347	5,043	4,472
Total Fund Balances	4,369	11,827	11,977	5,043	43,409
Total Liabilities and Fund Balances	\$ 4,930	\$ 11,893	\$ 19,528	\$ 7,060	\$ 47,957

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	Mine Reclamation Trust	Total Nonmajor Special Revenue Funds
\$ 1,221	\$ 1,160	\$ 3,139	\$ 7,063	\$ 4,824	\$ 68	\$ 857 3	\$ 99,064 3,095 241
				27			4,964
237		608	1,368	934			5,480
<u>\$ 1,458</u>	<u>\$ 1,160</u>	<u>\$ 3,747</u>	<u>\$ 8,431</u>	<u>\$ 5,785</u>	<u>\$ 68</u>	<u>\$ 860</u>	<u>\$ 112,877</u>
\$ 237	\$ 4	\$ 3 608	\$ 1,368	\$ 186 934	\$	\$	\$ 9,817 5,480
	402			40			3,228
326					12		12
<u>563</u>	<u>406</u>	<u>611</u>	<u>1,368</u>	<u>1,160</u>	<u>12</u>	<u>0</u>	<u>326</u> <u>18,863</u>
			200	619		860	40,545 1,807
		2,653	5,228	55			9,862
895	754	483	1,635	3,951	56		56
<u>895</u>	<u>754</u>	<u>3,136</u>	<u>7,063</u>	<u>4,625</u>	<u>56</u>	<u>860</u>	<u>41,744</u> <u>94,014</u>
<u>\$ 1,458</u>	<u>\$ 1,160</u>	<u>\$ 3,747</u>	<u>\$ 8,431</u>	<u>\$ 5,785</u>	<u>\$ 68</u>	<u>\$ 860</u>	<u>\$ 112,877</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2006
 (Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve
REVENUES					
Taxes	\$	\$ 3	\$	\$ 27,391	\$
Licenses and Permits		982	24,521		
Charges for Services			335		
Fines and Forfeitures	15		54		
Rents and Royalties					4,473
Premiums and Contributions	3,932		4		
Interest and Investment Income			473		
Federal Grants in Aid			26,835		
Other Revenues		23	(131)	871	
Total Revenues	3,947	1,008	52,091	28,262	4,473
EXPENDITURES					
Current:					
General Government			1,369		208
Education				26,850	540
Health and Human Services	3,301	1,227			
Law and Justice			128		
Public Protection			936		
Natural Resources			51,210		
Development					16,880
Transportation					
Total Expenditures	3,301	1,227	53,643	26,850	17,628
Excess (Deficiency) of Revenues Over Expenditures	646	(219)	(1,552)	1,412	(13,155)
OTHER FINANCING SOURCES (USES)					
Transfers In from Other Funds			3,135		
Transfers (Out to) Other Funds					(1,757)
Total Other Financing Sources and Uses	0	0	3,135	0	(1,757)
Net Change in Fund Balances	646	(219)	1,583	1,412	(14,912)
Fund Balances - Beginning of Year	3,723	12,046	10,394	3,631	58,321
Fund Balances - End of Year	\$ 4,369	\$ 11,827	\$ 11,977	\$ 5,043	\$ 43,409

STATEMENT 3.32

Reclamation Bonding Pool	Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Total Nonmajor Special Revenue Funds
\$	\$	\$	\$	\$	\$	\$	\$ 27,394
34	2,007					837	27,510
	3						1,206
							72
				2,403			4,473
42		130	257	182		23	6,339
	2			293			1,107
76	2,012	130	257	2,878	0	860	27,128
							765
							95,994
	68				124		1,769
	7	63					27,390
		118		223			4,598
							469
6	2,029	27		2,654			936
		280					55,926
			34				17,160
6	2,104	488	34	2,877	124	0	34
							108,282
70	(92)	(358)	223	1	(124)	860	(12,288)
							3,135
							(1,757)
0	0	0	0	0	0	0	1,378
70	(92)	(358)	223	1	(124)	860	(10,910)
825	846	3,494	6,840	4,624	180	0	104,924
\$ 895	\$ 754	\$ 3,136	\$ 7,063	\$ 4,625	\$ 56	\$ 860	\$ 94,014

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2006
 (Stated in Thousands)

	Second Injury		Variance with Budget
	Budget	Actual	
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures	15	15	0
Rents and Royalties			
Premiums and Contributions	3,932	3,932	0
Interest and Investment Income			
Other Revenues			
Restricted:			
Federal Grants in Aid Interagency			
Total Revenues	<u>3,947</u>	<u>3,947</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services	4,029	3,314	715
Law and Justice			
Public Protection			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>4,029</u>	<u>3,314</u>	<u>715</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(82)</u>	<u>633</u>	<u>(715)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (82)</u>	<u>633</u>	<u>\$ (715)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		13	
Funds Not Annually Budgeted Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		<u>646</u>	
Fund Balances - Beginning of Year		3,723	
Fund Balances - End of Year		<u>\$ 4,369</u>	

STATEMENT 3.33

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 3	\$ 3	\$ 0	\$ 24,522	\$ 24,522	\$ 0
982	982	0	141	335	(194)
				54	(54)
				3	(3)
23	23	0	27,138	(407)	(407)
				(131)	27,269
			29,802	26,835	2,967
			35		35
1,008	1,008	0	81,638	52,025	29,613
			1,304	1,304	0
1,348	1,247	101			
			128	128	0
			936	936	0
			65,430	54,470	10,960
1,348	1,247	101	67,798	56,838	10,960
(340)	(239)	(101)	13,840	(4,813)	18,653
			3,135	3,135	0
0	0	0	3,135	3,135	0
\$ (340)	(239)	\$ (101)	\$ 16,975	(1,678)	\$ 18,653
	20			3,261	
	(219)			1,583	
	12,046			10,394	
	\$ 11,827			\$ 11,977	

This statement continued on the next page.

STATE OF ALASKA

STATEMENT 3.33

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2006
 (Stated in Thousands)

	School		Variance with Budget
	Budget	Actual	
REVENUES			
Unrestricted:			
Taxes	\$ 27,314	\$ 27,314	\$ 0
Licenses and Permits			
Charges for Services			
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income			
Other Revenues	871	871	0
Restricted:			
Federal Grants in Aid Interagency			
Total Revenues	<u>28,185</u>	<u>28,185</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government			
Education	26,850	26,850	0
Health and Human Services			
Law and Justice			
Public Protection			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>26,850</u>	<u>26,850</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,335</u>	<u>1,335</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ 1,335</u>	<u>1,335</u>	<u>\$ 0</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances Funds Not Annually Budgeted Basis Difference		<u>77</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		1,412	
Fund Balances - Beginning of Year		3,631	
Fund Balances - End of Year		<u>\$ 5,043</u>	

STATEMENT 3.33

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			2,007	2,007	0
			3	3	0
4,473	4,473	0			
			2	2	0
<u>4,473</u>	<u>4,473</u>	<u>0</u>	<u>2,012</u>	<u>2,012</u>	<u>0</u>
223	223	0	68	68	0
621	621	0	7	7	0
			2,036	2,029	7
55,721	55,721	0			
<u>56,565</u>	<u>56,565</u>	<u>0</u>	<u>2,111</u>	<u>2,104</u>	<u>7</u>
<u>(52,092)</u>	<u>(52,092)</u>	<u>0</u>	<u>(99)</u>	<u>(92)</u>	<u>(7)</u>
<u>(1,757)</u>	<u>(1,757)</u>	<u>0</u>			
<u>(1,757)</u>	<u>(1,757)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ <u>(53,849)</u>	<u>(53,849)</u>	\$ <u>0</u>	\$ <u>(99)</u>	<u>(92)</u>	\$ <u>(7)</u>
	38,937				
	(14,912)			(92)	
	58,321			846	
	<u>\$ 43,409</u>			<u>\$ 754</u>	

This statement continued on the next page.

STATE OF ALASKA

STATEMENT 3.33

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2006
 (Stated in Thousands)

	Exxon Valdez Oil Spill Restoration		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income	113	113	0
Other Revenues			
Restricted:			
Federal Grants in Aid Interagency			
Total Revenues	113	113	0
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services	63	63	0
Law and Justice	530	118	412
Public Protection			
Natural Resources	10	10	0
Development	280	280	0
Transportation	2,653		2,653
Total Expenditures	3,536	471	3,065
Excess (Deficiency) of Revenues Over Expenditures	(3,423)	(358)	(3,065)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	0	0	0
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	\$ (3,423)	(358)	\$ (3,065)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), GAAP Basis		(358)	
Fund Balances - Beginning of Year		3,494	
Fund Balances - End of Year		<u>3,136</u>	

STATEMENT 3.33

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			2,403	2,403	0
223	223	0	157	157	0
			293	293	0
<u>223</u>	<u>223</u>	<u>0</u>	<u>2,853</u>	<u>2,853</u>	<u>0</u>
			1,288		1,288
			893	222	671
			6,440	3,282	3,158
<u>5,285</u>	<u>200</u>	<u>5,085</u>	<u>8,621</u>	<u>3,504</u>	<u>5,117</u>
5,285	200	5,085	8,621	3,504	5,117
<u>(5,062)</u>	<u>23</u>	<u>(5,085)</u>	<u>(5,768)</u>	<u>(651)</u>	<u>(5,117)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
\$ <u>(5,062)</u>	23	\$ <u>(5,085)</u>	\$ <u>(5,768)</u>	(651)	\$ <u>(5,117)</u>
	200			652	
	223			1	
	<u>6,840</u>			<u>4,624</u>	
	\$ <u>7,063</u>			\$ <u>4,625</u>	

This statement continued on the next page.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2006
 (Stated in Thousands)

	Mine Reclamation Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services	12	837	(825)
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income		23	(23)
Other Revenues			
Restricted:			
Federal Grants in Aid Interagency			
Total Revenues	<u>12</u>	<u>860</u>	<u>(848)</u>
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services			
Law and Justice			
Public Protection			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12</u>	<u>860</u>	<u>(848)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ 12</u>	<u>860</u>	<u>\$ (848)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		860	
Fund Balances - Beginning of Year		0	
Fund Balances - End of Year		<u>\$ 860</u>	

STATEMENT 3.33

Funds Not Annually Budgeted		Total Nonmajor Special Revenue Funds		
Northern Tobacco Securitization Corporation	Reclamation Bonding Pool	Budget	Actual	Variance with Budget
Actual	Actual			
\$	\$	\$ 27,317	\$ 27,317	\$ 0
		27,511	27,511	0
		153	1,172	(1,019)
		18	72	(54)
		4,473	4,473	0
		6,335	6,338	(3)
		493	923	(430)
		28,034	765	27,269
		30,095	27,128	2,967
		35	0	35
0	0	124,464	95,699	28,765
		1,595	1,595	0
		27,471	27,471	0
		6,735	4,631	2,104
		1,551	468	1,083
		936	936	0
		73,916	59,791	14,125
		56,001	56,001	0
		7,938	200	7,738
0	0	176,143	151,093	25,050
0	0	(51,679)	(55,394)	3,715
		3,135	3,135	0
		(1,757)	(1,757)	0
0	0	1,378	1,378	0
0	0	<u>\$ (50,301)</u>	<u>(54,016)</u>	<u>\$ 3,715</u>
			43,083	
(124)	70		(54)	
			77	
(124)	70		(10,910)	
180	825		104,924	
<u>\$ 56</u>	<u>\$ 895</u>		<u>\$ 94,014</u>	



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Nonmajor Debt Service Funds

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

- **Alaska Fish and Game Revenue Bond Redemption Fund (Fund 14122)** – AS 37.15.770 – Accounts for accumulation of resources for, and the payment of, principal, interest, redemption premium, and related trustee fees on the Sport Fishing Revenue Bonds.
- **General Obligation Bond Redemption Fund (Fund 14050)** – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of general obligation bonds.
- **Northern Tobacco Securitization Corporation (NTSC) Bond Redemption Fund (Fund 14120)** – AS 18.56.086 – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of revenue bonds issued by NTSC.



STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 June 30, 2006
 (Stated in Thousands)

STATEMENT 3.41

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
ASSETS				
Cash and Investments	\$ 2,201	\$ 28,385	\$ 5,321	\$ 35,907
Interest and Dividends Receivable		2		2
Securities Lending Collateral	426			426
Total Assets	<u>\$ 2,627</u>	<u>\$ 28,387</u>	<u>\$ 5,321</u>	<u>\$ 36,335</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Obligations Under Securities Lending	\$ 426	\$ 0	\$ 0	\$ 426
Total Liabilities	<u>426</u>	<u>0</u>	<u>0</u>	<u>426</u>
Fund Balances:				
Reserved:				
Debt Service	2,201	28,387	5,321	35,909
Total Fund Balances	<u>2,201</u>	<u>28,387</u>	<u>5,321</u>	<u>35,909</u>
Total Liabilities and Fund Balances	<u>\$ 2,627</u>	<u>\$ 28,387</u>	<u>\$ 5,321</u>	<u>\$ 36,335</u>

STATE OF ALASKA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

STATEMENT 3.42

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
REVENUES				
Interest and Investment Income	\$ 110	\$ 1,156	\$ 22	\$ 1,288
Other Revenues		15,980		15,980
Total Revenues	110	17,136	22	17,268
EXPENDITURES				
Debt Service:				
Principal	24,120	4,970		29,090
Interest and Other Charges	21,546	12,244		33,790
Total Expenditures	45,666	17,214	0	62,880
Excess (Deficiency) of Revenues Over Expenditures	(45,556)	(78)	22	(45,612)
OTHER FINANCING SOURCES (USES)				
Bonds Issued			5,299	5,299
Transfers In from Other Funds	41,011			41,011
Total Other Financing Sources and Uses	41,011	0	5,299	46,310
Net Change in Fund Balances	(4,545)	(78)	5,321	698
Fund Balances - Beginning of Year	6,746	28,465	0	35,211
Fund Balances - End of Year	\$ 2,201	\$ 28,387	\$ 5,321	\$ 35,909



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Nonmajor Capital Projects Funds

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

- **Accelerated Alaska Transportation Projects Fund (Fund 13110)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of \$102,805,000 of general obligation bonds, and is to be used for the purpose of paying the cost of State transportation projects that qualify for federal highway aid.
- **Alaska Sport Fishing Construction Account (Fund 13211)** – AS 16.05.130(f) – This fund consists of the proceeds from the sale of \$68,060,000 of Sport Fishing Revenue Bonds, and is to be used to finance the construction and renovation of fisheries rehabilitation, enhancement, and development projects that benefit sport fishing.
- **Educational and Museum Facility Design, Construction, and Major Maintenance Fund (GO Bonds) (Fund 13112)** – Chapter 2, SSSLA 2002 – This fund consists of the proceeds from the sales of \$235,215,500 of general obligation bonds, and is to be used for the purpose of paying the cost of design, construction, and major maintenance of educational and museum facilities.
- **Transportation Projects Fund (GO Bonds) (Fund 13111)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of \$123,914,500 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.



STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2006
 (Stated in Thousands)

STATEMENT 3.51

	Accelerated Alaska Transportation Projects	Transportation Projects
ASSETS		
Cash and Investments	\$ 33,134	\$ 63,422
Interest and Dividends Receivable Due from Component Units	148	282
Total Assets	\$ 33,282	\$ 63,704
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities Due to Other Funds	\$ 2,061	\$ 6,694
Total Liabilities	2,061	6,694
Fund Balances:		
Reserved:		
Encumbrances	3,649	32,021
Unreserved:		
Designated for Continuing Appropriations	24,177	19,955
Undesignated	3,395	5,034
Total Fund Balances	31,221	57,010
Total Liabilities and Fund Balances	\$ 33,282	\$ 63,704

STATEMENT 3.51

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	Total Nonmajor Capital Projects Funds
\$ 52,462	\$ 62,144	\$ 211,162
233	273	936
1,947		1,947
<u>\$ 54,642</u>	<u>\$ 62,417</u>	<u>\$ 214,045</u>
\$ 1,311	\$ 17	\$ 1,328
	16	8,771
<u>1,311</u>	<u>33</u>	<u>10,099</u>
26,862	808	63,340
22,264	60,979	127,375
4,205	597	13,231
<u>53,331</u>	<u>62,384</u>	<u>203,946</u>
<u>\$ 54,642</u>	<u>\$ 62,417</u>	<u>\$ 214,045</u>

STATE OF ALASKA

STATEMENT 3.52

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

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2006

(Stated in Thousands)

	Accelerated Alaska Transportation Projects	Transportation Projects
REVENUES		
Interest and Investment Income	\$ 1,851	\$ 3,211
Total Revenues	<u>1,851</u>	<u>3,211</u>
EXPENDITURES		
Current		
Education		
University		
Natural Resources		
Transportation	30,033	30,957
Interest and Other Charges		
Total Expenditures	<u>30,033</u>	<u>30,957</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>(28,182)</u>	<u>(27,746)</u>
OTHER FINANCING SOURCES (USES)		
Bonds Issued		
Bonds Issued Premium		
Transfers (Out to) Other Funds	(1,197)	(1,432)
Total Other Financing Sources and Uses	<u>(1,197)</u>	<u>(1,432)</u>
Net Change in Fund Balances	(29,379)	(29,178)
Fund Balances - Beginning of Year	60,600	86,188
Fund Balances - End of Year	<u>\$ 31,221</u>	<u>\$ 57,010</u>

STATEMENT 3.52

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	Total Nonmajor Capital Projects Funds
\$ 3,186	\$ 582	\$ 8,830
3,186	582	8,830
35,244		35,244
13,251		13,251
	353	353
		60,990
	900	900
48,495	1,253	110,738
(45,309)	(671)	(101,908)
	62,761	62,761
	294	294
(2,289)		(4,918)
(2,289)	63,055	58,137
(47,598)	62,384	(43,771)
100,929	0	247,717
\$ 53,331	\$ 62,384	\$ 203,946



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Nonmajor Enterprise Funds

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

COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

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

ENERGY ASSISTANCE ENTERPRISE FUNDS

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

OTHER AGENCIES ENTERPRISE FUNDS

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





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STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 4.01

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 49,078	\$ 303	\$ 351,049	\$ 400,430
Accounts Receivable - Net	186		4,106	4,292
Interest and Dividends Receivable	3,167		2,260	5,427
Due from Other Funds			1,169	1,169
Due from Other Governments			225	225
Loans, Notes, and Bonds Receivable	8,067		12,484	20,551
Securities Lending Collateral			20,798	20,798
Total Current Assets	<u>60,498</u>	<u>303</u>	<u>392,091</u>	<u>452,892</u>
Noncurrent Assets:				
Interest and Dividends Receivable	24,196			24,196
Loans, Notes, and Bonds Receivable	113,097	6	156,349	269,452
Repossessed Property	1,409		2,896	4,305
Investment in Projects, Partnerships, or Corporations			7,759	7,759
Other Noncurrent Assets			657	657
Capital Assets:				
Construction in Progress			22,017	22,017
Total Noncurrent Assets	<u>138,702</u>	<u>6</u>	<u>189,678</u>	<u>328,386</u>
Total Assets	<u>199,200</u>	<u>309</u>	<u>581,769</u>	<u>781,278</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	574		4,806	5,380
Obligations Under Securities Lending			20,798	20,798
Due to Other Funds	488	50	405	943
Due to Other Governments			5,406	5,406
Claims, Judgements and Compensated Absences			6	6
Other Current Liabilities			303	303
Total Current Liabilities	<u>1,062</u>	<u>50</u>	<u>31,724</u>	<u>32,836</u>
Noncurrent Liabilities:				
Other Noncurrent Liabilities			897	897
Total Noncurrent Liabilities	<u>0</u>	<u>0</u>	<u>897</u>	<u>897</u>
Total Liabilities	<u>1,062</u>	<u>50</u>	<u>32,621</u>	<u>33,733</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt			22,279	22,279
Restricted for:				
Unemployment Compensation			233,325	233,325
Health and Human Services			268,005	268,005
Other Purposes			187	187
Unrestricted	198,138	259	25,352	223,749
Total Net Assets	<u>\$ 198,138</u>	<u>\$ 259</u>	<u>\$ 549,148</u>	<u>\$ 747,545</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	\$	\$	\$ 168,942	\$ 168,942
Charges for Goods and Services	148		1,064	1,212
Interest and Investment Income	5,631	7	2,202	7,840
Allowance for Uncollectible Interest	475			475
Fines and Forfeitures	90		57	147
Federal Grants in Aid			552	552
Total Operating Revenues	<u>6,344</u>	<u>7</u>	<u>172,817</u>	<u>179,168</u>
OPERATING EXPENSES				
Benefits			130,487	130,487
Operating	3,858		1,416	5,274
Depreciation			36	36
Provision for Loan Losses and Forgiveness	123	1	4	128
Other Operating Expenses			120	120
Total Operating Expenses	<u>3,981</u>	<u>1</u>	<u>132,063</u>	<u>136,045</u>
Operating Income (Loss)	<u>2,363</u>	<u>6</u>	<u>40,754</u>	<u>43,123</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income			14,225	14,225
Interest and Investment Expense			(514)	(514)
Gain (Loss) on Disposal of Capital Assets			(275)	(275)
Other Nonoperating Revenues (Expenses)			11,149	11,149
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>0</u>	<u>24,585</u>	<u>24,585</u>
Income Before Capital Contributions and Transfers	2,363	6	65,339	67,708
Capital Contributions			6,922	6,922
Transfers In from Other Funds			1,802	1,802
Transfers (Out to) Other Funds	(2,123)	(49)	(4,524)	(6,696)
Change in Net Assets	240	(43)	69,539	69,736
Total Net Assets - Beginning of Year	197,937	302	479,327	677,566
Prior Period Adjustment	(39)		282	243
Total Net Assets - End of Year	<u>\$ 198,138</u>	<u>\$ 259</u>	<u>\$ 549,148</u>	<u>\$ 747,545</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$	\$ 1,721	\$ 1,721
Receipts from Customers	814		1,444	2,258
Receipt of Principal from Loan Recipients	11,849	2	10,615	22,466
Receipt of Interest and Fees from Loan Recipients	5,793	7	2,659	8,459
Receipts from Insured			168,473	168,473
Interfund Services Provided			(4)	(4)
Payments to Employees			(999)	(999)
Payments to Suppliers			(1,687)	(1,687)
Payments to Other Governments			1	1
Payments to Loan Recipients	(10,508)		(17,474)	(27,982)
Claims Paid			(132,976)	(132,976)
Interfund Services Used	(3,730)			(3,730)
Other Receipts	148		573	721
Other Payments	(61)		(5)	(66)
Net Cash Provided (Used) by Operating Activities	4,305	9	32,341	36,655
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers (Out to) Other Funds	(2,235)	(37)	(4,522)	(6,794)
Operating Subsidies and Transfers In from Other Funds			776	776
Payments (Out to) Federal Government			(266)	(266)
Federal Grants			7,297	7,297
Proceeds from Issuance of Short-term Debt			2,365	2,365
Payments on Short-term Debt			(2,365)	(2,365)
Interest and Fees Paid on Borrowing			(3)	(3)
Net Cash Provided (Used) by Noncapital Financing Activities	(2,235)	(37)	3,282	1,010
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets			(12,847)	(12,847)
Federal Grants			13,041	13,041
Other Receipts (Payments)			(194)	(194)
Net Cash Provided (Used) by Capital and Related Financing Activities	0	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES				
Income from Securities Lending Activities			494	494
Expenses from Securities Lending Activities			(477)	(477)
Interest and Dividends on Investments			13,895	13,895
Net Cash Provided (Used) by Investing Activities	0	0	13,912	13,912
Net Increase (Decrease) in Cash	2,070	(28)	49,535	51,577
Cash and Cash Equivalents - Beginning of Year	47,008	331	301,514	348,853
Cash and Cash Equivalents - End of Year	\$ 49,078	\$ 303	\$ 351,049	\$ 400,430

This statement continued on the next page.

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2,363	\$ 6	\$ 40,754	\$ 43,123
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization			36	36
Other Reconciling Items			(619)	(619)
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(510)		(269)	(779)
Due from Other Funds			594	594
Due from Other Governments			1,169	1,169
Loans, Notes and Bonds Receivable - Net	1,436	3	(6,752)	(5,313)
Repossessed Property			495	495
Investment in Projects, Partnerships, or Corporations			227	227
Securities Lending Collateral			(20,005)	(20,005)
Interest and Dividends Receivable - Net	356		(679)	(323)
Other Assets	575		1	576
Due to Other Funds	39		1	40
Due to Other Governments			123	123
Accounts Payable and Accrued Liabilities	124		(2,430)	(2,306)
Obligations Under Securities Lending			20,005	20,005
Other Liabilities	(78)		(310)	(388)
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,305</u>	<u>\$ 9</u>	<u>\$ 32,341</u>	<u>\$ 36,655</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 49,078	\$ 303	\$ 351,049	\$ 400,430
Cash, End of Year	<u>\$ 49,078</u>	<u>\$ 303</u>	<u>\$ 351,049</u>	<u>\$ 400,430</u>
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	(143)	(49)		(192)

STATE OF ALASKA
 Combining Statement of Net Assets
 Commercial Assistance Enterprise Funds
 June 30, 2006
 (Stated in Thousands)

STATEMENT 4.11

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
ASSETS			
Current Assets:			
Cash and Investments	\$ 175	\$ 254	\$ 34,974
Accounts Receivable - Net	185		1
Interest and Dividends Receivable			2,415
Loans, Notes, and Bonds Receivable	4	3	6,032
Total Current Assets	<u>364</u>	<u>257</u>	<u>43,422</u>
Noncurrent Assets:			
Interest and Dividends Receivable	9		3,728
Loans, Notes, and Bonds Receivable	18	7	55,138
Repossessed Property			1,409
Total Noncurrent Assets	<u>27</u>	<u>7</u>	<u>60,275</u>
Total Assets	<u>391</u>	<u>264</u>	<u>103,697</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	10		481
Due to Other Funds	40	54	240
Total Current Liabilities	<u>50</u>	<u>54</u>	<u>721</u>
Total Liabilities	<u>50</u>	<u>54</u>	<u>721</u>
NET ASSETS			
Unrestricted	341	210	102,976
Total Net Assets	<u>\$ 341</u>	<u>\$ 210</u>	<u>\$ 102,976</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
\$ 107	\$ 121	\$ 13,196	\$ 251	\$ 49,078
		752		186
2	11	2,015		3,167
109	132	15,963	251	8,067
		20,459		60,498
	101	57,833		24,196
0	101	78,292	0	113,097
109	233	94,255	251	1,409
		83		138,702
7	46	100	1	199,200
7	46	183	1	574
7	46	183	1	488
		94,072		1,062
102	187	94,072	250	1,062
\$ 102	\$ 187	\$ 94,072	\$ 250	\$ 198,138
				198,138

STATE OF ALASKA

STATEMENT 4.12

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Commercial Assistance Enterprise Funds
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
OPERATING REVENUES			
Charges for Goods and Services	\$ 3	\$	\$ 139
Interest and Investment Income	3	2	4,326
Allowance for Uncollectible Interest			418
Fines and Forfeitures	1		89
Total Operating Revenues	<u>7</u>	<u>2</u>	<u>4,972</u>
OPERATING EXPENSES			
Operating			3,408
Provision for Loan Losses and Forgiveness			(1,803)
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>1,605</u>
Operating Income (Loss)	<u>7</u>	<u>2</u>	<u>3,367</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers (Out to) Other Funds	(39)	(54)	(1,976)
Change in Net Assets	(32)	(52)	1,391
Total Net Assets - Beginning of Year	373	262	101,624
Prior Period Adjustment			(39)
Total Net Assets - End of Year	<u>\$ 341</u>	<u>\$ 210</u>	<u>\$ 102,976</u>

STATEMENT 4.12

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 1	\$ 10	\$ 6 1,288 57	\$ 1	\$ 148 5,631 475 90
<u>1</u>	<u>10</u>	<u>1,351</u>	<u>1</u>	<u>6,344</u>
		450 1,926		3,858 123
<u>0</u>	<u>0</u>	<u>2,376</u>	<u>0</u>	<u>3,981</u>
<u>1</u>	<u>10</u>	<u>(1,025)</u>	<u>1</u>	<u>2,363</u>
(7)	(46)	0	(1)	(2,123)
(6)	(36)	(1,025)	0	240
108	223	95,097	250	197,937 (39)
<u>\$ 102</u>	<u>\$ 187</u>	<u>\$ 94,072</u>	<u>\$ 250</u>	<u>\$ 198,138</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.13

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 2	\$	\$ 812
Receipts of Principal from Loan Recipients	5	2	10,829
Receipt of Interest and Fees from Loan Recipients	3	2	4,125
Payments to Loan Recipients			(8,612)
Interfund Services Used	21		(3,398)
Other Receipts			148
Other Payments			(61)
Net Cash Provided (Used) by Operating Activities	<u>31</u>	<u>4</u>	<u>3,843</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(38)	(189)	(1,976)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(38)</u>	<u>(189)</u>	<u>(1,976)</u>
Net Increase (Decrease) in Cash	(7)	(185)	1,867
Cash and Cash Equivalents - Beginning of Year	182	439	33,107
Cash and Cash Equivalents - End of Year	<u>\$ 175</u>	<u>\$ 254</u>	<u>\$ 34,974</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 7	\$ 2	\$ 3,367
Adjustments to Reconcile Operating Income to Net Cash			
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	2		(512)
Loans, Notes and Bonds Receivable - Net	5	2	589
Interest and Dividends Receivable - Net			(65)
Other Assets			393
Due to Other Funds	21		21
Accounts Payable and Accrued Liabilities			124
Other Liabilities	(4)		(74)
Net Cash Provided (Used) by Operating Activities	<u>\$ 31</u>	<u>\$ 4</u>	<u>\$ 3,843</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 175	\$ 254	\$ 34,974
Cash, End of Year	<u>\$ 175</u>	<u>\$ 254</u>	<u>\$ 34,974</u>
Noncash Investing, Capital, and Financing Activities:			
Transfers (Out to) Other Funds (Accrual)	(39)	(54)	

STATEMENT 4.13

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 7	\$ 11	\$ 995	\$	\$ 814
	10	1,652	1	11,849
		(1,896)		5,793
(3)		(350)		(10,508)
				148
				(61)
<u>4</u>	<u>21</u>	<u>401</u>	<u>1</u>	<u>4,305</u>
(7)	(23)		(2)	(2,235)
(7)	(23)	0	(2)	(2,235)
(3)	(2)	401	(1)	2,070
110	123	12,795	252	47,008
<u>\$ 107</u>	<u>\$ 121</u>	<u>\$ 13,196</u>	<u>\$ 251</u>	<u>\$ 49,078</u>
\$ 1	\$ 10	\$ (1,025)	\$ 1	\$ 2,363
				(510)
6	11	823		1,436
		421		356
		182		575
(3)				39
				124
				(78)
<u>\$ 4</u>	<u>\$ 21</u>	<u>\$ 401</u>	<u>\$ 1</u>	<u>\$ 4,305</u>
\$ 107	\$ 121	\$ 13,196	\$ 251	\$ 49,078
<u>\$ 107</u>	<u>\$ 121</u>	<u>\$ 13,196</u>	<u>\$ 251</u>	<u>\$ 49,078</u>
(3)	(46)		(1)	(143)

STATE OF ALASKA
Combining Statement of Net Assets
Energy Assistance Enterprise Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
ASSETS			
Current Assets:			
Cash and Investments	\$ 300	\$ 3	\$ 303
Total Current Assets	<u>300</u>	<u>3</u>	<u>303</u>
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	<u>6</u>	<u>0</u>	<u>6</u>
Total Noncurrent Assets	<u>6</u>	<u>0</u>	<u>6</u>
Total Assets	<u>306</u>	<u>3</u>	<u>309</u>
LIABILITIES			
Current Liabilities:			
Due to Other Funds	<u>50</u>	<u>0</u>	<u>50</u>
Total Current Liabilities	<u>50</u>	<u>0</u>	<u>50</u>
Total Liabilities	<u>50</u>	<u>0</u>	<u>50</u>
NET ASSETS			
Unrestricted	<u>256</u>	<u>3</u>	<u>259</u>
Total Net Assets	<u>\$ 256</u>	<u>\$ 3</u>	<u>\$ 259</u>

STATE OF ALASKA

STATEMENT 4.22

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

Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2006

(Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
OPERATING REVENUES			
Interest and Investment Income	\$ 6	\$ 1	\$ 7
Total Operating Revenues	<u>6</u>	<u>1</u>	<u>7</u>
OPERATING EXPENSES			
Provision for Loan Losses and Forgiveness	<u>1</u>		<u>1</u>
Total Operating Expenses	<u>1</u>	<u>0</u>	<u>1</u>
Operating Income (Loss)	<u>5</u>	<u>1</u>	<u>6</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers (Out to) Other Funds	<u>(49)</u>		<u>(49)</u>
Change in Net Assets	<u>(44)</u>	<u>1</u>	<u>(43)</u>
Total Net Assets - Beginning of Year	<u>300</u>	<u>2</u>	<u>302</u>
Total Net Assets - End of Year	<u>\$ 256</u>	<u>\$ 3</u>	<u>\$ 259</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.23

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts of Principal from Loan Recipients	\$ 2	\$	\$ 2
Receipt of Interest and Fees from Loan Recipients	6	1	7
Net Cash Provided (Used) by Operating Activities	<u>8</u>	<u>1</u>	<u>9</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(37)		(37)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(37)</u>	<u>0</u>	<u>(37)</u>
Net Increase (Decrease) in Cash	(29)	1	(28)
Cash and Cash Equivalents - Beginning of Year	329	2	331
Cash and Cash Equivalents - End of Year	<u>\$ 300</u>	<u>\$ 3</u>	<u>\$ 303</u>
Reconciliation of Operating Income (Loss) to Net			
Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 5	\$ 1	\$ 6
Net Changes in Assets and Liabilities:			
Loans, Notes and Bonds Receivable - Net	3		3
Net Cash Provided (Used) by Operating Activities	<u>\$ 8</u>	<u>\$ 1</u>	<u>\$ 9</u>
Reconciliation of Cash to the Statement			
of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 300	\$ 3	\$ 303
Cash, End of Year	<u>\$ 300</u>	<u>\$ 3</u>	<u>\$ 303</u>
Noncash Investing, Capital, and Financing			
Activities:			
Transfers (Out to) Other Funds (Accrual)	(49)		(49)



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STATE OF ALASKA
Combining Statement of Net Assets
Other Agencies Enterprise Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 4.31

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
ASSETS			
Current Assets:			
Cash and Investments	\$ 179	\$ 4,089	\$ 239,545
Accounts Receivable - Net		14	4,092
Interest and Dividends Receivable		132	
Due from Other Funds			
Due from Other Governments			171
Loans, Notes, and Bonds Receivable	7	1,228	
Securities Lending Collateral	35		
Total Current Assets	221	5,463	243,808
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	1	9,103	
Reposessed Property		2,896	
Investment in Projects, Partnerships, or Corporations		7,759	
Other Noncurrent Assets		395	
Capital Assets:			
Construction in Progress			
Total Noncurrent Assets	1	20,153	0
Total Assets	222	25,616	243,808
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities		125	3,953
Obligations Under Securities Lending	35		
Due to Other Funds		55	350
Due to Other Governments			5,406
Claims, Judgements and Compensated Absences		6	
Other Current Liabilities		50	
Total Current Liabilities	35	236	9,709
Noncurrent Liabilities:			
Other Noncurrent Liabilities		28	774
Total Noncurrent Liabilities	0	28	774
Total Liabilities	35	264	10,483
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			
Restricted for:			
Unemployment Compensation			233,325
Health and Human Services			
Other Purposes	187		
Unrestricted		25,352	
Total Net Assets	\$ 187	\$ 25,352	\$ 233,325

STATEMENT 4.31

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$ 90,334	\$ 16,902	\$	\$ 351,049
			4,106
1,286	842		2,260
48	87	1,034	1,169
23	31		225
9,280	1,969		12,484
17,490	3,273		20,798
118,461	23,104	1,034	392,091
98,656	48,589		156,349
			2,896
			7,759
		262	657
		22,017	22,017
98,656	48,589	22,279	189,678
217,117	71,693	23,313	581,769
		728	4,806
17,490	3,273		20,798
			405
			5,406
			6
		253	303
17,490	3,273	981	31,724
21	21	53	897
21	21	53	897
17,511	3,294	1,034	32,621
		22,279	22,279
			233,325
199,606	68,399		268,005
			187
			25,352
\$ 199,606	\$ 68,399	\$ 22,279	\$ 549,148

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Other Agencies Enterprise Funds
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
OPERATING REVENUES			
Premiums and Contributions	\$	\$	\$ 168,942
Charges for Goods and Services		13	
Interest and Investment Income		558	
Fines and Forfeitures		56	
Federal Grants in Aid			
Total Operating Revenues	<u>0</u>	<u>627</u>	<u>168,942</u>
OPERATING EXPENSES			
Benefits			130,487
Operating	2	295	
Depreciation		36	
Provision for Loan Losses and Forgiveness	4		
Other Operating Expenses			
Total Operating Expenses	<u>6</u>	<u>331</u>	<u>130,487</u>
Operating Income (Loss)	<u>(6)</u>	<u>296</u>	<u>38,455</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	6	(197)	10,746
Interest and Investment Expense	(1)		
Gain (Loss) on Disposal of Capital Assets		(275)	
Other Nonoperating Revenues (Expenses)		(147)	
Total Nonoperating Revenues (Expenses)	<u>5</u>	<u>(619)</u>	<u>10,746</u>
Income Before Capital Contributions and Transfers	<u>(1)</u>	<u>(323)</u>	<u>49,201</u>
Capital Contributions			
Transfers In from Other Funds			
Transfers (Out to) Other Funds		(861)	(3,663)
Change in Net Assets	<u>(1)</u>	<u>(1,184)</u>	<u>45,538</u>
Total Net Assets - Beginning of Year	188	26,536	188,271
Prior Period Adjustment			(484)
Total Net Assets - End of Year	<u>\$ 187</u>	<u>\$ 25,352</u>	<u>\$ 233,325</u>

STATEMENT 4.32

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$	\$	\$	\$ 168,942
731	320		1,064
715	929		2,202
1			57
236	316		552
1,683	1,565	0	172,817
			130,487
243	278	598	1,416
			36
			4
61	59		120
304	337	598	132,063
1,379	1,228	(598)	40,754
3,110	560		14,225
(434)	(79)		(514)
			(275)
(266)		11,562	11,149
2,410	481	11,562	24,585
3,789	1,709	10,964	65,339
1,335	5,587		6,922
	600	1,202	1,802
			(4,524)
5,124	7,896	12,166	69,539
194,212	60,495	9,625	479,327
270	8	488	282
\$ 199,606	\$ 68,399	\$ 22,279	\$ 549,148

STATE OF ALASKA
Combining Statement of Cash Flows
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.33

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Unemployment Compensation
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Other Governments	\$	\$	\$ 1,214
Receipts from Customers		1,444	
Receipts of Principal from Loan Recipients	12	3,056	
Receipt of Interest and Fees from Loan Recipients		608	
Receipts from Insured			168,473
Interfund Services Provided	(4)		
Payments to Employees		(395)	
Payments to Suppliers		(1,263)	
Payments to Other Governments			123
Payments to Loan Recipients	(4)	(2,035)	
Claims Paid			(132,976)
Other Receipts			
Other Payments			(5)
Net Cash Provided (Used) by Operating Activities	<u>4</u>	<u>1,415</u>	<u>36,829</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds		(859)	(3,663)
Operating Subsidies and Transfers In from Other Funds			
Payments (Out to) Federal Government			
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>(859)</u>	<u>(3,663)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets			
Federal Grants			
Other Receipts (Payments)			
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Income from Securities Lending Activities	(29)		
Expenses from Securities Lending Activities	33		
Interest and Dividends on Investments	1		10,746
Net Cash Provided (Used) by Investing Activities	<u>5</u>	<u>0</u>	<u>10,746</u>
Net Increase (Decrease) in Cash	9	556	43,912
Cash and Cash Equivalents - Beginning of Year	170	3,533	195,633
Cash and Cash Equivalents - End of Year	<u>\$ 179</u>	<u>\$ 4,089</u>	<u>\$ 239,545</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (6)	\$ 296	\$ 38,455
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization		36	
Other Reconciling Items		(619)	
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net		(1)	(268)
Due From Other Funds			
Due From Other Governments			1,214
Loans, Notes and Bonds Receivable - Net	12	1,019	
Reposessed Property		495	
Investment in Projects, Partnerships, or Corporations		227	
Securities Lending Collateral	(34)		
Interest and Dividends Receivable - Net		31	
Other Assets		1	
Due to Other Funds	(2)	8	(5)
Due to Other Governments			123
Accounts Payable and Accrued Liabilities		(75)	(2,341)
Obligations Under Securities Lending	34		
Other Liabilities		(3)	(349)
Net Cash Provided (Used) by Operating Activities	<u>\$ 4</u>	<u>\$ 1,415</u>	<u>\$ 36,829</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 179	\$ 4,089	\$ 239,545
Cash, End of Year	<u>\$ 179</u>	<u>\$ 4,089</u>	<u>\$ 239,545</u>

STATEMENT 4.33

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
\$ 221	\$ 286	\$	\$ 1,721
6,083	1,464		1,444
1,225	826		10,615
			2,659
			168,473
			(4)
(222)	(257)	(125)	(999)
(61)	(59)	(304)	(1,687)
		(122)	1
(8,616)	(6,819)		(17,474)
450	123		(132,976)
			573
			(5)
(920)	(4,436)	(551)	32,341
			(4,522)
	600	176	776
(266)			(266)
1,335	5,587	375	7,297
1,305	1,060		2,365
(1,305)	(1,060)		(2,365)
(2)	(1)		(3)
1,067	6,186	551	3,282
			(12,847)
			13,041
			(194)
0	0	0	0
444	79		494
(433)	(77)		(477)
2,667	481		13,895
2,678	483	0	13,912
2,825	2,233	0	49,535
87,509	14,669		301,514
\$ 90,334	\$ 16,902	\$ 0	\$ 351,049
\$ 1,379	\$ 1,228	\$ (598)	\$ 40,754
			36
			(619)
			(269)
450	123	21	594
(15)	(30)		1,169
(2,428)	(5,355)		(6,752)
			495
			227
(16,811)	(3,160)		(20,005)
(287)	(423)		(679)
			1
			1
			123
(40)		26	(2,430)
16,811	3,160		20,005
21	21		(310)
(920)	(4,436)	(551)	32,341
\$ 90,334	\$ 16,902	\$ 0	\$ 351,049
\$ 90,334	\$ 16,902	\$ 0	\$ 351,049



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Internal Service Funds

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

- **Alaska Public Building Fund (Fund 11165)** – AS 37.05.570 – Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of eight state owned buildings. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- **Correctional Industries Fund (Fund 22654)** – AS 33.32.020 – Administered by the Department of Corrections. This statute was repealed effective June 30, 2005. This fund accounted for correctional industries program activities which included a commercial laundry service and a furniture manufacturing enterprise. The correctional industries program provided employment for inmates at several of the state's correctional institutions. All expenses of the correctional industries program were financed from the correctional industries fund and budgeted in accordance with the executive budget.
- **Group Health and Life Benefits Fund (Fund 11135)** – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the state began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- **Highways Equipment Working Capital Fund (Fund 22652)** – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- **Information Services Fund (Fund 22500)** – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the state's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.



STATE OF ALASKA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 4.41

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	\$ 36,245	\$ 6,346
Accounts Receivable - Net	290	
Due from Other Funds	34	
Due from Other Governments		311
Inventories		
Securities Lending Collateral	7,020	
Other Current Assets		6
Total Current Assets	<u>43,589</u>	<u>6,663</u>
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation		2
Buildings, Net of Depreciation		38,115
Construction in Progress		
Total Noncurrent Assets	<u>0</u>	<u>38,117</u>
Total Assets	<u>43,589</u>	<u>44,780</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	10,463	764
Obligations Under Securities Lending	7,020	
Due to Other Funds		556
Claims, Judgments, and Compensated Absences	9	37
Notes, Bonds, and Leases Payable		
Other Current Liabilities		7
Total Current Liabilities	<u>17,492</u>	<u>1,364</u>
Noncurrent Liabilities:		
Notes, Bonds, and Leases Payable		
Other Noncurrent Liabilities	10	65
Total Noncurrent Liabilities	<u>10</u>	<u>65</u>
Total Liabilities	<u>17,502</u>	<u>1,429</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		38,117
Unrestricted	26,087	5,234
Total Net Assets	<u>\$ 26,087</u>	<u>\$ 43,351</u>

STATEMENT 4.41

Information Services	Highways Equipment Working Capital	Correctional Industries	Total Internal Service Funds
\$ 22,644	\$ 9,180	\$	\$ 74,415
1	142		433
3,478	1,201		4,713
4			315
	2,741		2,741
			7,020
898			904
27,025	13,264	0	90,541
10,621	86,376		96,999
	158		38,273
5,979			5,979
16,600	86,534	0	141,251
43,625	99,798	0	231,792
3,183	1,012		15,422
			7,020
			556
957	1,924		2,927
362			362
			7
4,502	2,936	0	26,294
146			146
658	944		1,677
804	944	0	1,823
5,306	3,880	0	28,117
16,092	86,534		140,743
22,227	9,384		62,932
\$ 38,319	\$ 95,918	\$ 0	\$ 203,675

STATE OF ALASKA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.42

	<u>Group Health and Life Benefits</u>	<u>Alaska Public Building</u>
OPERATING REVENUES		
Premiums and Contributions	\$ 66,771	\$
Charges for Goods and Services		8,706
Other Operating Revenues	1,312	22
Total Operating Revenues	<u>68,083</u>	<u>8,728</u>
OPERATING EXPENSES		
Benefits	58,202	
Operating	3,375	6,473
Depreciation		2,022
Total Operating Expenses	<u>61,577</u>	<u>8,495</u>
Operating Income (Loss)	<u>6,506</u>	<u>233</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	1,192	85
Interest and Investment Expense	(166)	
Gain (Loss) on Disposal of Capital Assets		
Other Nonoperating Revenues (Expenses)		
Total Nonoperating Revenues (Expenses)	<u>1,026</u>	<u>85</u>
Income Before Capital Contributions and Transfers	<u>7,532</u>	<u>318</u>
Capital Contributions		
Transfers In from Other Funds		1,820
Transfers Out to Other Funds		(932)
Change in Net Assets	<u>7,532</u>	<u>1,206</u>
Total Net Assets - Beginning of Year	18,555	41,009
Prior Period Adjustment		1,136
Total Net Assets - End of Year	<u>\$ 26,087</u>	<u>\$ 43,351</u>

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Correctional Industries	Total Internal Service Funds
\$ 30,011	\$ 38,762	\$	\$ 66,771
30,011	38,762	0	145,584
28,974	25,357		58,202
2,572	10,789		64,179
31,546	36,146	0	137,764
(1,535)	2,616	0	7,820
(29)			1,277
	(61)		(195)
	45		(61)
(29)	(16)	0	45
(1,564)	2,600	0	1,066
	2,134		8,886
9,413			2,134
		(1,221)	11,233
7,849	4,734	(1,221)	(2,153)
30,470	91,184	1,921	20,100
		(700)	183,139
\$ 38,319	\$ 95,918	\$ 0	\$ 436
			203,675

STATE OF ALASKA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 4.43

	Group Health and Life Benefits	Alaska Public Building
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$	\$
Receipts from Customers		8,395
Receipts from Insured	66,787	
Payments to Employees	(69)	(799)
Payments to Suppliers	(3,369)	(5,103)
Claims Paid	(56,216)	
Other Receipts	1,040	22
Other Payments		
Net Cash Provided (Used) by Operating Activities	<u>8,173</u>	<u>2,515</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds		(642)
Operating Subsidies and Transfers In from Other Funds		
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>(642)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets		(4,325)
Principal Paid on Capital Debt		
Interest and Fees Paid on Capital Debt		
Other Receipts (Payments)		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(4,325)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	1,026	85
Net Cash Provided (Used) by Investing Activities	<u>1,026</u>	<u>85</u>
Net Increase (Decrease) in Cash	9,199	(2,367)
Cash and Cash Equivalents - Beginning of Year	27,046	8,713
Cash and Cash Equivalents - End of Year	<u>\$ 36,245</u>	<u>\$ 6,346</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 6,506	\$ 233
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization		2,022
Other Reconciling Items		461
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(256)	
Due From Other Funds	(34)	
Due From Component Units		(311)
Securities Lending Collateral	6,796	
Inventories		
Other Assets		(6)
Due to Other Funds	(20)	
Accounts Payable and Accrued Liabilities	1,977	107
Obligations Under Securities Lending	(6,796)	
Other Liabilities		9
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,173</u>	<u>\$ 2,515</u>
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 36,245	\$ 6,346
Cash, End of Year	<u>\$ 36,245</u>	<u>\$ 6,346</u>
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets		

STATEMENT 4.43

Information Services	Highways Equipment Working Capital	Correctional Industries	Total Internal Service Funds
\$ 171	\$	\$	\$ 171
44,183	41,169		93,747
			66,787
(9,414)	(12,710)		(22,992)
(17,993)	(10,891)		(37,356)
	1		(56,216)
	(2,209)		1,063
16,947	15,360	0	(2,209)
			42,995
		(384)	(1,026)
9,413			9,413
9,413	0	(384)	8,387
(12,267)	(18,510)		(35,102)
(719)			(719)
(30)			(30)
	(28)		(28)
(13,016)	(18,538)	0	(35,879)
			1,111
0	0	0	1,111
13,344	(3,178)	(384)	16,614
9,300	12,358	384	57,801
\$ 22,644	\$ 9,180	\$ 0	\$ 74,415
\$ (1,535)	\$ 2,616	\$	\$ 7,820
2,572	10,789		15,383
	(390)		71
32	(136)		(360)
14,311	1,079		15,356
			(311)
	(93)		6,796
24	1		(93)
	1,465		19
1,060	(275)		1,445
			2,869
			(6,796)
483	304		796
\$ 16,947	\$ 15,360	\$ 0	\$ 42,995
\$ 22,644	\$ 9,180	\$ 0	\$ 74,415
\$ 22,644	\$ 9,180	\$ 0	\$ 74,415

2,134

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Fiduciary Funds

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

- **Alaska National Guard and Alaska Naval Militia Retirement System (Fund 35030)** – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- **Deferred Compensation (Fund 32014)** – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the state's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- **Judicial Retirement System (Fund 35025)** – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- **Public Employees' Retirement System (Fund 35010)** – AS 39.35.003 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- **Retiree Health (Fund 11159)** – AS 39.37.010, AS 22.25.048, AS 39.35.003, AS 14.25.010 – Administered by the Department of Administration. The state began a self-insurance program to provide health care coverage for retirees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for retirees and accounts for transactions pertaining to the self-insurance program.
- **Supplemental Benefits System (Fund 35041)** – AS 39.30.150 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Supplemental Benefits System.
- **Teachers' Retirement System (Fund 35020)** – AS 14.25.010 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Teachers' Retirement System.

AGENCY FUNDS

- **Deposits, Suspense, and Miscellaneous (Fund 32005)** – Administered by the Department of Administration. This fund is used to account for refundable deposits and other receipts held in trust until the state has the right to transfer them to operating funds, or until there is a proper authorization to disburse them directly to others.
- **Exxon Valdez Oil Spill Investment Trust Fund (Fund 32025)** – PL 106-113 – Administered by the Exxon Valdez Oil Spill (EVOS) Trustee Council. Consists of assets of a joint federal/state trust fund established to receive, hold, disburse and manage all natural resource damage recoveries obtained by the United States government and the State of Alaska under the Clean Water Act, arising out of the Exxon Valdez oil spill.
- **Impact Aid (Fund 32017)** – PL 103-382 – Administered by the Department of Education and Early Development. These monies are received from the federal government and are distributed to the local school districts. The funds provide financial assistance to local school districts where enrollment or availability of revenue is adversely affected by federal activities.

- **Public Advocacy Trust Fund (Fund 32012)** – AS 44.21.410 – Administered by the Department of Administration. The Public Advocacy Trust Fund holds in trust funds for individuals under the guardianship of the Office of Public Advocacy.
- **Wage and Hour (Fund 32011)** – Administered by the Department of Labor and Workforce Development. This fund was established to account for receipts and disbursements for wage and hour violations.





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STATE OF ALASKA
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 5.01

	Retiree Health	Deferred Compensation	Supplemental Benefits
ASSETS			
Cash and Cash Equivalents	\$ 46,784	\$ 5,268	\$ 27,369
Investments:			
Short-Term Investments		5,981	31,316
Commercial Paper			49,292
U.S. Treasury	31,298		228,397
U.S. Government Agency	24,595	2,842	97,787
Municipal Bonds			
Foreign Government Bonds			
Mortgage-Backed	60,686	23,806	232,230
Other Asset-Backed	3,951	32,366	17,877
Corporate Bonds	49,886	46,489	208,930
Yankees	3,289		26,639
Fixed Income Pool			
Domestic Equity Pool	59,174		528,635
International Equity Pool	26,138		26,223
Emerging Markets Equity Pool			
Private Equity Pool			
Absolute Return Pool			
Other Investment Pool			
Real Estate Pool			
Participant-Directed		346,138	545,538
Other	(10,408)	12,176	13,148
Investment Loss Trust Fund Assets			1,677
Contributions Receivable	544	1,880	5,671
Interest and Dividends Receivable	198		
Securities Lending Collateral	29,890		
Due from Other Funds			
Other Assets			
Total Assets	<u>326,025</u>	<u>476,946</u>	<u>2,040,729</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	56,054		2,912
Obligations Under Securities Lending	29,890		
Due to Other Funds	1,231		
Total Liabilities	<u>87,175</u>	<u>0</u>	<u>2,912</u>
NET ASSETS			
Held in Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	238,850		
Individuals, Organizations, and Other Governments		476,946	2,037,817
Total Net Assets	<u>\$ 238,850</u>	<u>\$ 476,946</u>	<u>\$ 2,037,817</u>

STATEMENT 5.01

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 560	\$ 517	\$ 51	\$ 25	\$ 80,574
49,712	22,291	400	59	109,759
27,802	12,816	244	112	90,266
242,252	111,469	2,670	1,007	617,093
271,841	125,097	2,926	1,134	526,222
1,415	649	30	5	2,099
111,744	51,060	835		163,639
979,082	451,009	7,833	4,201	1,758,847
244,159	112,483	2,347	993	414,176
688,308	316,480	4,962	2,089	1,317,144
24,294	11,169	253	81	65,725
38	17			55
3,539,970	1,618,700	32,037	4,917	5,783,433
1,404,660	628,800	15,123	2,003	2,102,947
180,324	97,105			277,429
565,343	258,509			823,852
239,130	109,341	2,093		350,564
71,034	32,481			103,515
939,999	429,833	9,075		1,378,907
				891,676
(209,005)	(96,309)	(1,603)	(953)	(292,954)
				1,677
14,586	9,294	117		32,092
				198
929,519	423,385	8,008	1,740	1,392,542
23	142	362		527
4	35			39
<u>10,316,794</u>	<u>4,726,373</u>	<u>87,763</u>	<u>17,413</u>	<u>17,992,043</u>
7,329	3,017	45	78	69,435
929,519	423,385	8,008	1,740	1,392,542
475			8	1,714
<u>937,323</u>	<u>426,402</u>	<u>8,053</u>	<u>1,826</u>	<u>1,463,691</u>
6,568,150	3,422,923	77,311	15,587	10,083,971
2,811,321	877,048	2,399		3,929,618
				2,514,763
<u>\$ 9,379,471</u>	<u>\$ 4,299,971</u>	<u>\$ 79,710</u>	<u>\$ 15,587</u>	<u>\$ 16,528,352</u>

STATE OF ALASKA
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 5.02

	Retiree Health	Deferred Compensation	Supplemental Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	\$ 304,240	\$ 34,249	\$ 55,432
Member	39,197	34,249	60,257
Other	4,468		
Total Premiums and Contributions	<u>347,905</u>	<u>34,249</u>	<u>115,689</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair			
Value of Investments	922	20,548	132,539
Interest	10,092	5,167	4,026
Dividends	1,666		
Total Investment Income	<u>12,680</u>	<u>25,715</u>	<u>136,565</u>
Less Investment Expense	108		
Net Investment Income	<u>12,572</u>	<u>25,715</u>	<u>136,565</u>
Other Additions			
Total Additions	<u>360,477</u>	<u>59,964</u>	<u>252,254</u>
DEDUCTIONS			
Benefits Paid	294,608	36,581	129,128
Insurance Premiums			4,797
Refunds of Premiums and Contributions			
Administrative Expenses	13,315	706	2,554
Transfers Out to Other Funds	50,000		
Total Deductions	<u>357,923</u>	<u>37,287</u>	<u>136,479</u>
Net Increase (Decrease) in Net Assets Held in			
Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	2,554		
Individuals, Organizations, and Other Governments		22,677	115,775
Net Assets - Beginning of the Year	236,296	454,269	1,922,042
Net Assets - End of the Year	<u>\$ 238,850</u>	<u>\$ 476,946</u>	<u>\$ 2,037,817</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
\$ 253,922	\$ 127,967	\$ 2,772	\$ 2,054	\$ 746,387
119,566	57,802	374		311,445
18,427				22,895
<u>391,915</u>	<u>185,769</u>	<u>3,146</u>	<u>2,054</u>	<u>1,080,727</u>
708,688	327,866	5,918	358	1,196,839
120,555	55,617	1,020	422	196,899
165,309	77,960	1,272	131	246,338
994,552	461,443	8,210	911	1,640,076
20,546	9,754	168	33	30,609
974,006	451,689	8,042	878	1,609,467
34,947	15,190	125		50,262
<u>1,400,868</u>	<u>652,648</u>	<u>11,313</u>	<u>2,932</u>	<u>2,740,456</u>
592,285	373,667	5,257	1,740	1,433,266
14,063	3,832			4,797
5,801	2,173	51	111	17,895
				24,711
<u>612,149</u>	<u>379,672</u>	<u>5,308</u>	<u>1,851</u>	<u>50,000</u>
446,086	183,196	5,561	1,081	635,924
342,633	89,780	444		435,411
				138,452
8,590,752	4,026,995	73,705	14,506	15,318,565
<u>\$ 9,379,471</u>	<u>\$ 4,299,971</u>	<u>\$ 79,710</u>	<u>\$ 15,587</u>	<u>\$ 16,528,352</u>

STATE OF ALASKA
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006
(Stated in Thousands)

STATEMENT 5.11

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	\$ 109,211	\$ 75
Investments		
Accounts Receivable - Net	10	
Due from Other Funds	2,052	
Total Assets	<u>\$ 111,273</u>	<u>\$ 75</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 2,828	\$ 9
Trust Deposits Payable	108,445	66
Due to Other Funds		
Total Liabilities	<u>\$ 111,273</u>	<u>\$ 75</u>

STATEMENT 5.11

Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
\$ 8,700	\$ 189,035	\$	\$ 117,986 189,035 10 2,052
<u>\$ 8,700</u>	<u>\$ 189,035</u>	<u>\$ 0</u>	<u>\$ 309,083</u>
\$ 8,700	\$ 188,866 169	\$	\$ 2,837 306,077 169
<u>\$ 8,700</u>	<u>\$ 189,035</u>	<u>\$ 0</u>	<u>\$ 309,083</u>

STATE OF ALASKA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2006
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 111,467	\$ 129,256	\$ 131,512	\$ 109,211
Accounts Receivable - Net		10		10
Due from Other Funds	2,299	2,052	2,299	2,052
Total Assets	<u>\$ 113,766</u>	<u>\$ 131,318</u>	<u>\$ 133,811</u>	<u>\$ 111,273</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,942	\$ 51,744	\$ 51,858	\$ 2,828
Trust Deposits Payable	110,824	128,014	130,393	108,445
Total Liabilities	<u>\$ 113,766</u>	<u>\$ 179,758</u>	<u>\$ 182,251</u>	<u>\$ 111,273</u>
<u>WAGE AND HOUR</u>				
ASSETS				
Cash and Cash Equivalents	\$ 38	\$ 170	\$ 133	\$ 75
Total Assets	<u>\$ 38</u>	<u>\$ 170</u>	<u>\$ 133</u>	<u>\$ 75</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2	\$ 152	\$ 145	\$ 9
Trust Deposits Payable	36	183	153	66
Total Liabilities	<u>\$ 38</u>	<u>\$ 335</u>	<u>\$ 298</u>	<u>\$ 75</u>
<u>PUBLIC ADVOCACY</u>				
ASSETS				
Cash and Cash Equivalents	\$ 8,062	\$ 13,884	\$ 13,246	\$ 8,700
Total Assets	<u>\$ 8,062</u>	<u>\$ 13,884</u>	<u>\$ 13,246</u>	<u>\$ 8,700</u>
LIABILITIES				
Trust Deposits Payable	\$ 8,062	\$ 4,434	\$ 3,796	\$ 8,700
Total Liabilities	<u>\$ 8,062</u>	<u>\$ 4,434</u>	<u>\$ 3,796</u>	<u>\$ 8,700</u>
<u>EXXON VALDEZ</u>				
<u>OIL SPILL INVESTMENT</u>				
ASSETS				
Investments	\$ 179,150	\$ 22,606	\$ 12,721	\$ 189,035
Total Assets	<u>\$ 179,150</u>	<u>\$ 22,606</u>	<u>\$ 12,721</u>	<u>\$ 189,035</u>
LIABILITIES				
Trust Deposits Payable	\$ 179,150	\$ 22,437	\$ 12,721	\$ 188,866
Due to Other Funds		169		169
Total Liabilities	<u>\$ 179,150</u>	<u>\$ 22,606</u>	<u>\$ 12,721</u>	<u>\$ 189,035</u>

This statement continued on the next page.

STATE OF ALASKA
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Fiscal Year Ended June 30, 2006
 (Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>IMPACT AID PL 103-382</u>				
ASSETS				
Cash and Cash Equivalents	\$ 33	\$ 26,507	\$ 26,540	\$ 0
Total Assets	<u>\$ 33</u>	<u>\$ 26,507</u>	<u>\$ 26,540</u>	<u>\$ 0</u>

LIABILITIES				
Accounts Payable and Accrued Liabilities	\$	\$ 526	\$ 526	\$ 0
Trust Deposits Payable	21	29,141	29,162	0
Due to Other Funds	12		12	0
Total Liabilities	<u>\$ 33</u>	<u>\$ 29,667</u>	<u>\$ 29,700</u>	<u>\$ 0</u>

TOTAL AGENCY FUNDS

ASSETS				
Cash and Cash Equivalents	\$ 119,600	\$ 169,817	\$ 171,431	\$ 117,986
Investments	179,150	22,606	12,721	189,035
Accounts Receivable - Net		10		10
Due from Other Funds	2,299	2,052	2,299	2,052
Total Assets	<u>\$ 301,049</u>	<u>\$ 194,485</u>	<u>\$ 186,451</u>	<u>\$ 309,083</u>

LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,944	\$ 52,422	\$ 52,529	\$ 2,837
Trust Deposits Payable	298,093	184,209	176,225	306,077
Due to Other Funds	12	169	12	169
Total Liabilities	<u>\$ 301,049</u>	<u>\$ 236,800</u>	<u>\$ 228,766</u>	<u>\$ 309,083</u>



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Nonmajor Component Units

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, 2006
(Stated in Thousands)

STATEMENT 6.01

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
ASSETS			
Cash and Investments	\$ 51,457	\$ 47,688	\$ 2,078
Accounts Receivable - Net			34,019
Interest and Dividends Receivable	4,350	135	
Due from Primary Government			
Due from Component Units			
Due from Other Governments			
Loans, Notes, and Bonds Receivable	435,109		
Inventories			20,039
Securities Lending Collateral		4,088	
Restricted Assets		967,644	1,241
Other Assets			3,042
Capital Assets:			
Equipment, Net of Depreciation			89,845
Buildings, Net of Depreciation			1,064
Infrastructure, Net of Depreciation			189,678
Land			19,598
Construction in Progress			213,355
Total Assets	490,916	1,019,555	573,959
LIABILITIES			
Accounts Payable and Accrued Liabilities	221	827	19,128
Obligations Under Securities Lending		4,088	
Due to Primary Government	438	102,185	
Due to Component Units			
Due to Other Governments			
Interest Payable	4,007	10,518	
Other Current Liabilities		85	
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgments, and Compensated Absences			
Unearned and Deferred Revenue	1,577	3,525	5,343
Notes, Bonds, and Leases Payable	27,360	58,150	2,978
Other Long-term Debt	5,800		
Other Noncurrent Liabilities			
Portion Due or Payable After One Year:			
Unearned and Deferred Revenue			346,006
Notes, Bonds, and Leases Payable	407,755	668,437	24,468
Other Long-term Debt	5,206		
Other Noncurrent Liabilities		1,336	4,857
Total Liabilities	452,364	849,151	402,780
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			153,014
Restricted for:			
Permanent Funds			
Nonexpendable			
Expendable			
Education		128,891	
Conservation, Environment, Debt Service	28,602		
Other Purposes			18,165
Unrestricted	9,950	41,513	
Total Net Assets	\$ 38,552	\$ 170,404	\$ 171,179

STATEMENT 6.01

Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Total Nonmajor Component Units
\$ 263,417	\$ 15,530	\$ 458,941	\$	\$ 839,111
553		32		34,604
1,318		3,963		9,766
			1,394	1,394
118		122		240
2,952	3,584			6,536
24,490		4,417		464,016
	396			20,435
10,300		102,608		116,996
				968,885
		19		3,061
	17,992	162		107,999
	33,758	2,325		37,147
265,650	6,158			461,486
		2,489		22,087
	20,967			234,322
568,798	98,385	575,078	1,394	3,328,085
9,950	1,157	21,215		52,498
10,300		102,608		116,996
1,060	116	629		104,428
1,009				1,009
2				2
3,238				17,763
		715		800
	523	323		846
		207		10,652
5,800				94,288
				5,800
			22	22
	12,229			358,235
121,483				1,222,143
710				5,916
103	317	232		6,845
153,655	14,342	125,929	22	1,998,243
138,368	78,875	4,976		375,233
		353,566		353,566
		90,607		90,607
				128,891
19,085				47,687
25,168				43,333
232,522	5,168		1,372	290,525
\$ 415,143	\$ 84,043	\$ 449,149	\$ 1,372	\$ 1,329,842

STATE OF ALASKA
 Combining Statement of Activities
 Nonmajor Component Units
 For the Fiscal Year Ended June 30, 2006
 (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
Nonmajor Component Units:				
Alaska Municipal Bond Bank Authority	\$ 18,680	\$	\$	\$
Alaska Student Loan Corporation	47,810	36,311		
Alaska Railroad Corporation	123,055	128,439	6,272	8,843
Alaska Energy Authority	75,630	17,272	40,736	
Alaska Aerospace Development Corporation	20,262	16,892		16,165
Alaska Mental Health Trust Authority	17,323	9,344	34,425	4,291
Alaska Natural Gas Development Authority	1,170			
Total Nonmajor Component Units	<u>\$ 303,930</u>	<u>\$ 208,258</u>	<u>\$ 81,433</u>	<u>\$ 29,299</u>
General Revenues:				
Interest and Investment Income				
Payments In from Primary Government				
Total General Revenues and Special Revenues				
Change in Net Assets				
Net Assets - Beginning of Year				
Prior Period Adjustment				
Net Assets - End of Year				

Net (Expense) Revenue and Changes in Net Assets							
Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Total Nonmajor Component Units
\$ (18,680)	\$ (11,499)	\$ 20,499	\$ (17,622)	\$ 12,795	\$ 30,737	\$ (1,170)	\$ (18,680)
							(11,499)
							20,499
							(17,622)
							(17,622)
							12,795
							12,795
							30,737
							30,737
							(1,170)
							(1,170)
<u>(18,680)</u>	<u>(11,499)</u>	<u>20,499</u>	<u>(17,622)</u>	<u>12,795</u>	<u>30,737</u>	<u>(1,170)</u>	<u>15,060</u>
							49,897
18,156	13,035	430	18,121	155		2,438	2,438
18,156	13,035	430	18,121	155	0	2,438	52,335
(524)	1,536	20,929	499	12,950	30,737	1,268	67,395
39,076	168,868	150,250	414,644	71,093	415,132	104	1,259,167
					3,280		3,280
<u>\$ 38,552</u>	<u>\$ 170,404</u>	<u>\$ 171,179</u>	<u>\$ 415,143</u>	<u>\$ 84,043</u>	<u>\$ 449,149</u>	<u>\$ 1,372</u>	<u>\$ 1,329,842</u>



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Statistical Section





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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2006

STATISTICAL SECTION

This part of the State of Alaska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the state's overall financial health.

	<u>Page</u>
Financial Trends (Schedules A-1 through A-5) <i>These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.</i>	219
Revenue Capacity (Schedules B-1 through B-3) <i>These schedules contain information to help the reader assess the state's most significant revenue sources: investment income, oil severance taxes, and oil royalties.</i>	226
Debt Capacity (Schedules C-1 and C-2) <i>These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. The state has no statutory limit on the amount of general obligation debt that may be authorized.</i>	230
Demographic and Economic Information (Schedules D-1 and D-2) <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place.</i>	233
Operating Information (Schedules E-1 through E-3) <i>These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs.</i>	235

SOURCES:

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

NOTES:

The State of Alaska implemented GASB Statement No. 34 in FY 02; therefore, some schedules only include financial data beginning in that year.



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STATE OF ALASKA
 Financial Trends - Net Assets By Component
 Last Five Fiscal Years
 (Stated in Thousands)

SCHEDULE A-1

	2006	2005	2004	2003	2002
Governmental Activities:					
Invested in Capital Assets, Net of Related Debt	\$ 4,721,066	\$ 4,654,684	\$ 3,921,815	\$ 3,724,321	\$ 3,353,079
Restricted	30,772,290	28,935,899	26,929,079	24,473,141	22,207,101
Unrestricted	7,539,120	5,185,548	4,066,781	3,450,742	5,469,850
Total Governmental Activities Net Assets	<u>43,032,476</u>	<u>38,776,131</u>	<u>34,917,675</u>	<u>31,648,204</u>	<u>31,030,030</u>
Business-type Activities:					
Invested in Capital Assets, Net of Related Debt	535,585	483,883	451,273	415,389	370,663
Restricted	527,509	467,604	429,600	411,446	417,609
Unrestricted	340,555	341,845	308,232	300,705	311,662
Total Business-type Activities Net Assets	<u>1,403,649</u>	<u>1,293,332</u>	<u>1,189,105</u>	<u>1,127,540</u>	<u>1,099,934</u>
Primary Government:					
Invested in Capital Assets, Net of Related Debt	5,256,651	5,138,567	4,373,088	4,139,710	3,723,742
Restricted	31,299,799	29,403,503	27,358,679	24,884,587	22,624,710
Unrestricted	7,879,675	5,527,393	4,375,013	3,751,447	5,781,512
Total Primary Government Net Assets	<u>\$ 44,436,125</u>	<u>\$ 40,069,463</u>	<u>\$ 36,106,780</u>	<u>\$ 32,775,744</u>	<u>\$ 32,129,964</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

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

	2006	2005	2004	2003	2002
Program Revenues					
Governmental Activities:					
Charges for Services					
General Government	\$ 13,908	\$ 20,448	\$ 13,048	\$ 16,142	\$ 16,465
Education	2,895	2,477	2,329	937	2,738
Health and Human Services	29,774	30,754	23,086	23,277	19,329
Law and Justice	9,736	10,959	8,625	6,201	9,528
Public Protection	138,192	134,817	134,087	103,586	93,737
Natural Resources	2,460,023	1,967,523	1,446,144	1,299,097	906,477
Development	6,840	4,744	3,719	34,895	2,829
Transportation	63,257	48,506	46,774	44,882	40,456
Operating Grants and Contributions	1,460,145	1,400,904	1,422,265	1,303,282	1,111,681
Capital Grants and Contributions	618,554	642,311	624,835	611,414	502,703
Total Governmental Activities Program Revenues	<u>4,803,324</u>	<u>4,263,443</u>	<u>3,724,912</u>	<u>3,443,713</u>	<u>2,705,943</u>
Business-type Activities:					
Charges for Services					
Loans	9,116	10,006	10,333	13,598	9,434
Unemployment Compensation	168,942	148,354	160,762	156,459	135,097
Airports	103,999	99,375	76,467	76,753	67,936
Operating Grants and Contributions	19,262	17,485	13,329	18,177	33,128
Capital Grants and Contributions	73,570	84,249	79,715	52,859	36,642
Total Business-type Activities Program Revenues	<u>374,889</u>	<u>359,469</u>	<u>340,606</u>	<u>317,846</u>	<u>282,237</u>
Total Primary Government Program Revenues	<u>\$ 5,178,213</u>	<u>\$ 4,622,912</u>	<u>\$ 4,065,518</u>	<u>\$ 3,761,559</u>	<u>\$ 2,988,180</u>
Expenses					
Governmental Activities:					
General Government	\$ 292,265	\$ 254,680	\$ 227,516	\$ 278,972	\$ 414,344
Alaska Permanent Fund Dividend ^a	505,093	552,232	660,471	908,676	1,086,362
Education	1,251,111	1,143,197	1,072,194	951,790	939,988
University	271,687	244,927	246,101	226,729	208,322
Health and Human Services	1,768,611	1,832,252	1,661,454	1,553,612	1,406,064
Law and Justice	175,878	147,606	131,179	130,408	118,928
Public Protection	535,877	517,875	420,476	458,200	413,305
Natural Resources	263,777	242,610	225,167	206,161	194,377
Development	477,249	129,518	128,254	142,934	126,427
Transportation	711,351	762,514	392,737	418,463	406,543
Intergovernmental Revenue Sharing	57,598	43,039	52,303	65,364	65,241
Debt Service	32,152	32,153	32,763	19,903	16,564
Total Governmental Activities Expenses	<u>6,342,649</u>	<u>5,902,603</u>	<u>5,250,615</u>	<u>5,361,212</u>	<u>5,396,465</u>
Business-type Activities:					
Loans	12,285	9,304	4,980	8,799	16,540
Unemployment Compensation	130,487	147,687	185,342	191,598	150,176
Airports	120,879	99,350	81,475	77,892	68,884
Development	598	155	77	-	-
Total Business-type Activities Expenses	<u>264,249</u>	<u>256,496</u>	<u>271,874</u>	<u>278,289</u>	<u>235,600</u>
Total Primary Government Expenses	<u>\$ 6,606,898</u>	<u>\$ 6,159,099</u>	<u>\$ 5,522,489</u>	<u>\$ 5,639,501</u>	<u>\$ 5,632,065</u>
Net (Expense)/Revenue (To Schedule A-3)					
Governmental Activities	\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
Business-type Activities	110,640	102,973	68,732	39,557	46,637
Total Primary Government Net Expense	<u>\$ (1,428,685)</u>	<u>\$ (1,536,187)</u>	<u>\$ (1,456,971)</u>	<u>\$ (1,877,942)</u>	<u>\$ (2,643,885)</u>

NOTES:

This schedule is presented on the accrual basis of accounting.

^a The permanent fund dividend function represents the portion of the income earned by the Alaska Permanent Fund that is paid out to eligible Alaska residents.

STATE OF ALASKA
Financial Trends - Government-wide General Revenues and Other Changes in Net Assets
Last Five Fiscal Years
(Stated in Thousands)

SCHEDULE A-3

	2006	2005	2004	2003	2002
Net (Expense)/Revenue (From Schedule A-2)					
Governmental Activities	\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
Business-type Activities	110,640	102,973	68,732	39,557	46,637
Total Primary Government Net Expense	<u>\$ (1,428,685)</u>	<u>\$ (1,536,187)</u>	<u>\$ (1,456,971)</u>	<u>\$ (1,877,942)</u>	<u>\$ (2,643,885)</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Severance Taxes	\$ 1,332,880	\$ 965,431	\$ 697,394	\$ 640,856	\$ 549,848
Selective Sales/Use	196,605	186,354	180,354	156,693	139,531
Income Taxes	821,664	588,694	339,270	207,075	269,273
Property Taxes	54,508	42,912	47,416	48,741	49,641
Other Taxes	11,865	10,743	10,979	9,421	11,585
Interest and Investment Earnings	3,312,907	2,840,596	3,561,847	1,205,191	(371,614)
Tobacco Settlement	19,975	21,759	21,439	25,054	134,925
Payments In from Component Units	104,556	121,312	58,846	80,728	63,474
Other Revenues	60,857	19,294	60,781	7,618	24,280
Transfers - Internal Activity	4,894	4,968	4,306	2,830	1,539
Special Items	-	-	4,829	127,413	-
Prior Period Adjustments and Restatements	(125,041)	695,553	(192,287)	24,053	35,955,420
Total Governmental Activities General Revenues and Other Changes in Net Assets	<u>5,795,670</u>	<u>5,497,616</u>	<u>4,795,174</u>	<u>2,535,673</u>	<u>36,827,902</u>
Business-type Activities:					
Interest and Investment Earnings	2,935	5,154	1,067	6,567	6,449
Other Revenues	1,393	1,356	-	419	546
Payments In from Component Units	-	-	-	-	652
Transfers - Internal Activity	(4,894)	(4,968)	(4,306)	(2,830)	(1,539)
Special Items	-	-	-	(5,453)	-
Prior Period Adjustments and Restatements	243	(288)	(3,928)	(10,654)	(1,018)
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>(323)</u>	<u>1,254</u>	<u>(7,167)</u>	<u>(11,951)</u>	<u>5,090</u>
Total Primary Government General Revenues and Other Changes in Net Assets	<u>\$ 5,795,347</u>	<u>\$ 5,498,870</u>	<u>\$ 4,788,007</u>	<u>\$ 2,523,722</u>	<u>\$ 36,832,992</u>
Change in Net Assets					
Governmental Activities	\$ 4,256,345	\$ 3,858,456	\$ 3,269,471	\$ 618,174	\$ 34,137,380
Business-type Activities	110,317	104,227	61,565	27,606	51,727
Total Primary Government Changes in Net Assets	<u>\$ 4,366,662</u>	<u>\$ 3,962,683</u>	<u>\$ 3,331,036</u>	<u>\$ 645,780</u>	<u>\$ 34,189,107</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

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

SCHEDULE A-4

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

NOTES:

This schedule is presented on the modified accrual basis of accounting.

In FY 02, funds were reclassified in conjunction with implementing GASB Statement No. 34.

^a The majority of the amount reported as reserved for the General Fund since 2002 represents the Constitutional Budget Reserve Fund. Further discussion of this fund is included in the Notes to the Basic Financial Statements.

^b The majority of the amount reported as reserved for all other governmental funds since 2002 represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

SCHEDULE A-4

2002	2001	2000	1999	1998	1997
\$ 4,819,136	\$ 192,610	\$ 187,278	\$ 369,214	\$ 388,520	\$ 393,989
(701,741)	(3,368,474)	(3,341,562)	(3,071,768)	(1,991,648)	(1,418,181)
<u>\$ 4,117,395</u>	<u>\$ (3,175,864)</u>	<u>\$ (3,154,284)</u>	<u>\$ (2,702,554)</u>	<u>\$ (1,603,128)</u>	<u>\$ (1,024,192)</u>
\$ 22,191,935	\$ 45,343	\$ 31,380	\$ 5,506	\$ 4,462	\$ 11,975
1,658,082	-	-	-	-	-
46,919	23,171	23,163	31,613	28,535	20,088
-	-	102	102	674	1,518
<u>\$ 23,896,936</u>	<u>\$ 68,514</u>	<u>\$ 54,645</u>	<u>\$ 37,221</u>	<u>\$ 33,671</u>	<u>\$ 33,581</u>

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

SCHEDULE A-5

	2006	2005	2004	2003
Revenues				
Taxes	\$ 2,361,263	\$ 1,764,465	\$ 1,275,413	\$ 1,062,786
Licenses and Permits	129,604	122,888	116,164	100,814
Charges for Services	159,410	152,992	184,178	167,505
Fines and Forfeitures	10,441	11,030	17,598	10,477
Rents and Royalties	2,418,169	1,957,615	1,428,982	1,286,742
Premiums and Contributions	17,906	17,153	17,984	29,809
Interest and Investment Income	3,339,127	2,874,284	3,586,212	1,224,015
Federal Grants in Aid	1,997,567	1,951,921	1,941,037	1,769,144
Payments in from Component Units ^d	104,555	121,312	58,846	80,728
Other Revenues	74,163	30,957	32,363	37,809
Total Revenues	10,612,205	9,004,617	8,658,777	5,769,829
Expenditures				
General Government	294,151	261,596	257,207	278,604
Alaska Permanent Fund Dividend ^a	505,093	552,232	660,471	908,676
Education	1,227,523	1,136,016	1,042,702	990,384
University ^d	272,193	244,917	246,168	226,794
Health and Human Services	1,794,439	1,748,751	1,707,996	1,571,025
Law and Justice ^b	171,185	141,890	135,026	131,359
Public Protection ^b	527,332	525,855	431,261	459,321
Natural Resources	259,087	236,146	227,132	221,088
Development	477,945	128,257	132,452	145,242
Transportation	894,571	804,546	764,003	737,768
Capital Outlay ^c	-	-	-	-
Intergovernmental Revenue Sharing	59,477	43,081	52,259	65,743
Debt Service:				
Principal	39,965	39,570	15,568	18,107
Interest and Other Charges	38,429	38,989	34,369	18,332
Total Expenditures	6,561,390	5,901,846	5,706,614	5,772,443
Excess (Deficiency) of Revenues Over Expenditures	4,050,815	3,102,771	2,952,163	(2,614)
Other Financing Sources (Uses)				
Bonds Issued	92,060	-	14,145	461,935
Refunding Bonds Issued ^e	-	25,725	-	-
Bond Issue Premium	856	-	-	39,310
Other Debt Proceeds	1,957	-	-	-
Refunding Bond Issue Premium ^e	-	1,251	-	-
Bond Discount	-	-	-	-
Payment to Refunded Bond Escrow Agent ^e	-	(26,858)	-	-
Capital Leases	8,628	10,751	15,615	-
Transfers In from Other Funds	807,093	604,541	614,250	706,507
Transfers In from Component Units ^d	-	-	-	-
Transfers (Out to) Other Funds	(801,164)	(615,931)	(597,320)	(695,498)
Transfers (Out to) Component Units ^d	-	-	-	-
Total Other Financing Sources and Uses	109,430	(521)	46,690	512,254
Special Items	-	-	4,829	127,413
Prior Period Adjustments and Restatements	393	(17,932)	3,569	(5,103)
Net Change in Fund Balances	\$ 4,160,638	\$ 3,084,318	\$ 3,007,251	\$ 631,950
Debt Service as a Percentage of Noncapital Expenditures	1.37%	1.51%	1.00%	0.72%

NOTES:

This schedule is presented on the modified accrual basis of accounting.

In FY 02, funds were reclassified in conjunction with implementing GASB Statement No. 34.

^a Prior to 2002 and the implementation of GASB Statement No. 34, the Alaska Permanent Fund Dividend Fund was reported as an expendable trust fund.

^b Prior to 2002 and the implementation of GASB Statement No. 34, Law and Justice and Public Protection expenditures were combined as one function.

^c With the implementation of GASB Statement No. 34, capital outlay is no longer reported as a separate function.

^d Prior to 2002 and the implementation of GASB Statement No. 34, Transfers In from and Out to Component Units were classified as Other Financing Sources (Uses). Under GASB Statement No. 34 payments to component units are reported as revenues or expenditures rather than as transfers.

^e In 2005 new certificates of participation were issued to refund existing certificates of participation debt.

SCHEDULE A-5

2002	2001	2000	1999	1998	1997
\$ 1,019,878	\$ 1,332,572	\$ 1,165,502	\$ 794,453	\$ 1,049,154	\$ 1,441,336
90,049	78,367	94,087	86,873	93,820	89,964
157,458	161,418	122,720	91,433	82,977	78,148
11,937	33,680	46,291	12,607	37,799	12,438
867,143	1,134,884	1,083,715	512,115	738,791	1,077,892
19,612	-	-	-	-	-
(379,887)	80,175	47,995	46,771	61,275	70,182
1,552,694	1,324,761	1,226,821	1,039,968	959,842	948,515
63,474	-	-	-	-	-
154,713	129,487	48,506	39,642	38,024	44,024
<u>3,557,071</u>	<u>4,275,344</u>	<u>3,835,637</u>	<u>2,623,862</u>	<u>3,061,682</u>	<u>3,762,499</u>
393,579	260,488	189,026	197,154	200,392	209,207
1,086,362	-	-	-	-	-
973,716	879,584	876,890	866,346	827,794	821,375
208,497	-	-	-	-	-
1,408,238	1,284,018	1,170,063	1,069,948	1,031,507	1,012,349
117,648	526,676	462,056	449,256	425,328	431,166
410,000	-	-	-	-	-
199,032	152,690	144,762	151,480	150,547	152,231
130,893	19,404	18,634	38,336	35,641	39,566
650,678	165,551	156,117	155,715	152,607	163,569
-	573,691	549,345	479,070	416,681	430,677
65,198	82,519	73,783	95,448	91,700	108,634
16,664	-	2,376	8,515	13,316	14,895
15,878	4,294	57	324	904	1,601
<u>5,676,383</u>	<u>3,948,915</u>	<u>3,643,109</u>	<u>3,511,592</u>	<u>3,346,417</u>	<u>3,385,270</u>
(2,119,312)	326,429	192,528	(887,730)	(284,735)	377,229
142,790	116,050	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,852)	(878)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
961,827	32,098	16,366	29,479	20,193	35,481
-	87,315	179,445	118,967	105,264	67,361
(947,910)	(357,628)	(427,778)	(187,434)	(249,448)	(349,847)
-	(213,075)	(394,797)	(170,223)	(171,416)	(173,278)
<u>154,855</u>	<u>(336,118)</u>	<u>(626,764)</u>	<u>(209,211)</u>	<u>(295,407)</u>	<u>(420,283)</u>
-	-	-	-	-	-
33,086,138	1,978	(70)	1,065	1,296	11,900
<u>\$ 31,121,681</u>	<u>\$ (7,711)</u>	<u>\$ (434,306)</u>	<u>\$ (1,095,876)</u>	<u>\$ (578,846)</u>	<u>\$ (31,154)</u>
0.62%	0.13%	0.08%	0.29%	0.49%	0.56%

STATE OF ALASKA
Revenue Capacity - Alaska Permanent Fund Investment Income
Last Ten Fiscal Years
(Stated in Millions)

SCHEDULE B-1

Fiscal Year	Ending Fund Market Value ^a	Reserved Fund Assets	Unreserved Fund Assets ^b	Total Fund Return
1997	\$ 21,104	\$ 20,997	\$ 107	17.1%
1998	23,876	22,487	1,389	16.4%
1999	25,132	22,542	2,590	9.5%
2000	26,516	23,543	2,973	9.2%
2001	24,815	22,431	2,384	-3.3%
2002	23,525	22,389	1,136	-2.2%
2003	24,194	24,094	100	4.5%
2004	27,400	26,541	859	14.2%
2005	29,962	28,522	1,440	10.4%
2006	32,910	30,325	2,585	11.0%

Annual Rate of Return by Asset Class ^d

Fiscal Year	Domestic Equities	International Stocks	Domestic Bonds	Non-Dollar Bonds	Real Estate	Alternative Investments	Total Fund
1997	30.7%	18.9%	7.8%	NA ^c	9.9%	NA ^c	17.1%
1998	26.5%	8.1%	11.4%	11.1%	15.6%	NA ^c	16.4%
1999	19.4%	9.4%	1.7%	8.6%	9.8%	NA ^c	9.5%
2000	8.7%	23.3%	3.7%	-1.7%	10.6%	NA ^c	9.2%
2001	-13.1%	-22.9%	11.4%	0.8%	14.3%	NA ^c	-3.3%
2002	-15.4%	-8.6%	8.0%	10.2%	10.3%	NA ^c	-2.2%
2003	-0.3%	-5.0%	10.2%	15.3%	9.1%	NA ^c	4.5%
2004	21.1%	28.4%	0.8%	4.3%	16.5%	NA ^c	14.2%
2005	7.2%	15.4%	6.8%	10.1%	27.2%	NA ^c	10.4%
2006	10.0%	26.1%	-0.3%	0.6%	20.0%	11.3%	11.0%

SOURCE:

Alaska Permanent Fund Corporation

NOTES:

- ^a The Alaska Permanent Fund is made up of two parts: reserved and unreserved assets. The reserved portion of the fund is invested in perpetuity and cannot be spent without amending the state constitution through a majority vote of the people.
- ^b Unreserved fund assets are defined in Alaska statute as the accumulation of cash flow and net realized gains from investments and are subject to appropriation by the Legislature. The unreserved fund assets have historically only been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the reserved fund assets from inflation. The unreserved fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The unreserved fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer. The reserved and unreserved fund assets are commingled for investment purposes.
- ^c NA = The fund held no investments in this asset type.
- ^d Returns are shown by major asset class only and are unaudited.

REVENUE BASE (Last Five Fiscal Years)

Oil Severance Taxes	2006	2005	2004	2003	2002
Well-head value	\$55.31 per barrel	\$38.92 per barrel	\$26.78 per barrel	\$23.27 per barrel	\$16.80 per barrel
Weighted average severance tax rate	14.62%	14.20%	14.23%	14.16%	14.44%
Weighted Average Economic Limit Factor (ELF)	58.26%	52.99%	53.22%	55.19%	59.75%

REVENUE RATE (The method of determining the revenue rate has remained consistent over the last five fiscal years)

The effective severance tax rate is computed as:

$$(\text{Number of barrels produced}^1 \text{ less the number of royalty barrels}^2) \times \text{the well-head value}^3 \times \text{the severance tax rate}^4 \times \text{ELF}^5$$

¹ The total number of barrels produced.

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

² Less the number of royalty barrels.

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

³ Multiplied by the well-head value.

Well-head value (destination value less allowable marine and pipeline transportation costs) of each barrel.

⁴ Multiplied by the severance tax rate.

The severance tax rate on oil is 15.00% for fields coming into production prior to June 1981, 12.25% of the well-head value for the first five years of production, and 15.00% thereafter for fields coming into production after June 1981. There is a minimum tax of 80 cents per barrel.

⁵ Multiplied by the Economic Limit Factor (ELF).

The Economic Limit Factor is $(1 - (300/PPW))^{((150,000/TP)^{1.5333})}$, where PPW is the average daily oil production per well in the field, TP is the average daily oil production from the field, and ^ is exponential. If a field produces 300 barrels per day per well or less, the ELF is zero and no severance taxes are assessed.

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

	2006	1997
Alaska Statute 43.05.230 prohibits naming individual tax payers.	Five oil companies account for more than 99.97% of severance tax.	Five oil companies account for more than 97.86% of severance tax.
Amount of Revenue Base	Five oil companies account for 300,630 thousands of barrels of oil production.	Five oil companies account for 449,939 thousands of barrels of oil production.
Percent of top payers to total oil production	99.35%	97.56%
Percent of top payers to total severance tax revenue	99.97%	97.86%

SOURCE:

Alaska Department of Revenue, Tax Division

REVENUE BASE (Last Five Fiscal Years)

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

REVENUE RATE (The method of determining the revenue rate has remained consistent over the last five fiscal years)

The royalty rate ranges from 5.00% to 33.33%, depending on lease terms. However, the majority of fields are charged at 12.50%.

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

	2006	1997
Top Payers	Royalties from British Petroleum, ConocoPhillips and Flint Hills corporations comprise more than 91% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, Williams, and Tesoro corporations comprise more than 85% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips and Flint Hills corporations paid royalty on over 40 million barrels of oil.	British Petroleum, ConocoPhillips, Williams, and Tesoro paid royalty on over 56 million barrels of oil.
Percent of top payers to number of royalty barrels.	90.15%	84.83%
Percent of top payers to total royalty revenue.	88.74%	83.16%

SOURCE:

Alaska Department of Natural Resources, Division of Oil and Gas

NOTE:

Per Article IX, Section 15 of the Alaska Constitution, "At least 25 percent of all mineral. . . royalties. . . received by the State shall be placed in a permanent fund..."



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STATE OF ALASKA
Debt Capacity - Ratios of Outstanding Debt By Type
Last Ten Fiscal Years
(Stated in Thousands, Except Per Capita Amount)

SCHEDULE C-1

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt		
	General Obligation Bonds	Percentage of Personal Income ^a	Per Capita ^a	Tobacco Revenue Bonds	Sport Fishing Revenue Bonds	Certificates of Participation ^b
1997	\$ 24,206	0.15%	\$ 40	\$ -	\$ -	\$ -
1998	10,891	0.07%	18	-	-	-
1999	2,376	0.01%	4	-	-	-
2000	-	0.00%	-	-	-	-
2001	-	0.00%	-	115,172	-	-
2002	-	0.00%	-	232,863	-	16,000
2003	499,541	2.44%	776	224,599	-	16,000
2004	492,586	2.26%	760	218,316	-	30,145
2005	463,117	2.03%	707	212,794	-	61,625
2006	433,916	1.85%	654	207,995	68,345	74,770

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements.

^a See Schedule D-1, Demographic and Economic Information - Statistics, for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

^b Prior to 2002, all Certificates of Participation (COPs) were reported as capital leases. For fiscal years 2002-2004, COPs related to facilities under construction were reported as COPs, and completed projects were reported as capital leases. Beginning in 2005, all COPs are reported as Certificates of Participation.

^c In 2002, the capitalization threshold for reporting capital leases was increased, and operating leases that met the criteria for reporting as capital leases were reported for the first time, in conjunction with implementation of GASB Statement No. 34.

SCHEDULE C-1

Capital Leases ^{b, c}	Business-type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
	International	Airports Revenue Bonds			
\$ 52,143	\$ 39,005	\$ 115,354	0.73%	\$ 191	
169,613	35,220	215,724	1.31%	354	
159,065	210,425	371,866	2.17%	603	
88,783	227,776	316,559	1.79%	509	
116,529	226,976	458,677	2.46%	732	
261,280	362,374	872,517	4.44%	1,377	
272,473	356,510	1,369,123	6.69%	2,127	
194,492	422,141	1,357,680	6.23%	2,094	
147,993	412,057	1,297,586	5.68%	1,980	
140,162	646,238	1,571,426	6.68%	2,368	

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

SCHEDULE C-2

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenues</u>	<u>Debt Service Principal</u>	<u>Debt Service Interest</u>	<u>Coverage</u>
International Airports Revenue Bonds: ^a						
1997	\$ 60,875	\$ 40,510	\$ 20,365	\$ 3,640	\$ 2,041	3.58
1998	60,032	39,278	20,754	3,785	1,896	3.65
1999	60,800	40,901	19,899	3,970	1,735	3.49
2000	61,143	42,472	18,671	3,210	12,812	1.17
2001	82,165	44,798	37,367	1,135	11,613	2.93
2002	73,661	47,779	25,882	3,660	11,508	1.71
2003	83,320	54,686	28,634	6,300	18,642	1.15
2004	77,524	49,238	28,286	6,580	18,365	1.13
2005	104,538	61,131	43,407	12,138	21,554	1.29
2006	107,125	68,732	38,393	12,529	21,011	1.14
Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: ^b						
2001	\$ 774	\$ -	\$ 774	\$ -	\$ 4,294	0.18
2002	21,350	-	21,350	7,495	12,431	1.07
2003	21,467	-	21,467	8,495	13,346	0.98
2004	18,399	-	18,399	6,485	12,879	0.95
2005	18,620	-	18,620	5,710	12,558	1.02
2006	17,136	-	17,136	5,970	12,244	0.94
Sport Fishing Revenue Bonds: ^c						
2006	\$ 1,296	\$ -	\$ 1,296	\$ -	\$ -	-

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements. Gross revenues include nonoperating interest and investment income. Operating expenses do not include interest, depreciation or amortization expenses. Additional details regarding revenues and expenses can be found in the combining fund statements of this CAFR.

- ^a The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.
- ^b Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation (NTSC), which was incorporated on September 29, 2000. NTSC revenues include Tobacco Settlement Revenues (TSRs) and investment earnings, both of which are pledged as security under the revenue bond indentures.
- ^c Sport Fishing Revenue Bonds were sold April 11, 2006. Revenues consist primarily of a sport fishing facility surcharge collected on the sale of sport fishing licenses.

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

SCHEDULE D-1

Year	Population ¹	Personal Income (Stated in Millions) ²	Alaska Per Capita Personal Income ²	United States Per Capita Personal Income ²	Median Age ¹	Unemployment Rate ¹
1996	605,212	\$ 15,762	\$ 26,057	\$ 24,651	31.9	7.8%
1997	609,655	16,465	27,042	25,874	32.2	7.9%
1998	617,082	17,167	27,904	27,322	32.5	5.8%
1999	622,000	17,704	28,577	28,542	32.9	6.4%
2000	626,932	18,612	30,064	29,676	32.4	6.2%
2001	633,630	19,641	30,936	30,472	32.6	6.2%
2002	643,786	20,467	31,792	30,832	32.7	7.1%
2003	648,280	21,779	33,568	31,632	33.1	7.7%
2004	655,435	22,582	34,454	32,937	33.3	7.5%
2005	663,661	23,515	35,433	33,050	33.4	6.8%

SOURCES:

¹ Alaska Department of Labor and Workforce Development, Research and Analysis Section

² U.S. Department of Commerce, Bureau of Economic Analysis

NOTE:

At the time of preparation, data provided by the U.S. Department of Commerce, Bureau of Economic Analysis is preliminary.

STATE OF ALASKA
Demographic and Economic Information - Principal Employers
Calendar Year 2006 and Period Nine Years Prior

SCHEDULE D-2

Employer	2006			1997		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Uniformed Military	20,933	1	6.69%			
Federal Government	17,000	2	5.44%	17,339	1	6.20%
State of Alaska ^a	17,000	3	5.44%	15,791	2	5.64%
University of Alaska	7,200	4	2.30%	5,434	3	1.94%
Anchorage School District	6,539	5	2.09%	5,248	4	1.88%
Providence Health System Alaska	3,685	6	1.18%	2,844	7	1.02%
Safeway Stores/Carrs	3,086	7	0.99%	3,192	6	1.14%
Municipality of Anchorage	3,013	8	0.96%	3,553	5	1.27%
Fred Meyer	2,795	9	0.89%	1,925	8	0.69%
Wal-Mart/Sam's Club	2,694	10	0.86%		NA	-
Fairbanks North Star School District	-	NA	-	1,706	9	0.61%
ARCO Alaska	-	NA	-	1,526	10	0.55%
Total	83,945		26.84%	58,558		20.94%

SOURCE:

Alaska Department of Labor and Workforce Development, Research and Analysis Section

NOTES:

^a For the purpose of a relevant principal employers indicator, with the exception of the University of Alaska, component unit employees are included in State of Alaska figures. The number of component unit employees is immaterial and inclusion does not change the ranking of the State of Alaska as an employer.

STATE OF ALASKA

SCHEDULE E-1

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

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

NOTE:

Full-time equivalent employees are calculated using the total number of hours worked, divided by the number of of hours worked during the year by a full-time employee.

STATE OF ALASKA
Operating Information - Operating Indicators by Function
Last Ten Fiscal Years

SCHEDULE E-2

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

SOURCES:

Various state departments and the University of Alaska.

NOTES:

Indicators are not available for the general government function.

^a Data is only provided on a calendar year basis.

^b A change was made to the methodology of gathering this statistic, starting in 2005, to bring it into compliance with federal requirements.

^c Consists of data for the Anchorage and Fairbanks International Airports.

^d Data for some prior years is not available.

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

^f Includes both on shore and off shore acres.

SCHEDULE E-2

2002	2001	2000	1999	1998	1997
589,378	586,187	583,040	572,790	565,256	554,733
134,358	133,356	134,391	135,778	131,303	129,919
31,043	30,557	30,076	30,871	31,658	32,497
110,569	105,698	96,862	80,699	73,859	71,179
6,025	6,123	7,596	8,890	10,514	12,096
12,154	13,796	12,834	12,215	11,845	10,363
22,041	19,997	19,077	18,832	20,442	19,543
8,556	8,168	8,218	7,805	7,676	7,527
5,068	5,311	5,370	5,392	5,792	6,636
4,644	4,403	4,294	4,301	4,315	3,245
285	274	295	293	293	264
3,941	3,689	3,648	3,718	3,827	3,910
12	14	21	27	18	19
1,445,470	1,450,141	1,633,553	1,922,450	1,514,242	1,719,075
11,338,380	11,320,100	11,126,530	11,338,380	11,338,380	11,338,380
15.5	8.9	20.8	14.6	45.6	-
6,225,000	4,190,209	3,479,479	3,456,084	3,409,072	2,996,463
287	301	360	336	475	412
73,047	73,617	73,540	73,936	73,348	72,646
1.82	1.89	2.30	1.74	1.55	1.76
2,775	2,775	2,775	2,775	2,865	2,865
141	142	141	146	135	139
2,286	2,316	2,286	2,323	2,355	2,396
114,916	97,523	107,232	116,951	117,999	117,909
70,161	71,075	69,901	66,831	66,301	59,164
51,561	51,104	49,471	47,984	56,275	58,215
2,624,631	2,653,474	2,588,078	2,522,005	2,532,369	2,548,920
2,634,245	2,658,282	2,600,238	2,538,998	2,531,986	2,547,063
513,076	675,390	694,662	734,715	779,953	802,424
236,834	242,323	247,658	227,259	103,288	90,903
259,036	262,935	266,363	253,329	159,669	149,686

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

SCHEDULE E-3

FUNCTION	2006	2005	2004	2003	2002
Primary Government:					
General Government					
Buildings (square feet)	738,676	731,101	691,070	930,674	722,847
Education					
Buildings (square feet)	2,728,657	2,832,934	2,923,628	2,962,440	2,862,070
Schools	117	129	145	144	142
Schools Under Construction	17	10	8	12	16
Health and Human Services					
Buildings (square feet)	882,511	858,468	852,057	1,100,412	840,707
Pioneer Homes	6	6	6	6	6
Law and Justice					
Buildings (square feet)	526,659	512,094	481,805	602,962	470,832
Court Buildings	13	12	13	12	13
Public Protection					
Buildings (square feet)	1,261,043	1,253,724	1,224,620	1,515,444	1,116,699
Correctional Institutions	11	11	11	11	11
Aircraft	16	16	14	14	12
Motor Vessels	19	18	16	16	19
National Guard Armories ^a	21	20	10	10	10
Natural Resources					
Buildings (square feet)	678,899	669,406	663,345	834,591	647,531
Parks Acreage	3,326,019	3,325,939	3,325,939	3,353,276	3,303,290
Forest Acreage	2,066,000	2,066,000	2,243,100	2,243,100	2,243,100
Other State Land Acreage	84,430,236	82,967,314	82,797,376	83,779,277	83,825,572
Aircraft	3	3	3	3	3
Motor Vessels	9	9	8	11	11
Development					
Buildings (square feet)	279,168	272,816	264,948	339,321	272,408
Transportation					
Buildings (square feet)	1,033,511	997,525	974,654	1,169,505	908,041
Light Duty Vehicles	3,366	3,323	3,433	3,403	3,351
Heavy Duty Utility Vehicles	1,861	1,824	1,828	1,795	1,789
Ferries	11	11	10	11	10
Building Projects Under Construction	112	94	101	108	123
Rural Airports	65	258	260	259	259
Rural Airport Projects Under Construction	358	415	397	361	343
Centerline Road Miles ^b	-	5,613	5,612	5,562	5,557
Highway Projects Under Construction	767	766	760	768	779
Business-type Activities:					
Airports (Anchorage and Fairbanks International)					
Terminals (square feet)	1,280,864	1,178,602	773,681	783,900	765,449
International Airport (acreage)	8,153	8,153	8,153	8,153	8,153
International Airport Projects Under Construction	117	162	187	213	211
Runways (miles)	6	6	6	6	6

NOTES:

^a Increase in National Guard Armories for 2005 was the result of a federal review for state owned armories that were not recognized in previous years.

^b Centerline road miles are calculated on a calendar year basis.

Index of Funds



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Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Accelerated Alaska Transportation Projects	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Adak Airport Operations	PL 101-510	No	GF	3.11, 3.12
Agricultural Revolving Loan	AS 03.10.040	Yes	OAEF	4.31 - 4.33
Alaska Aerospace Development Corporation	AS 14.40.841	Yes	DPCU	6.01, 6.02
Alaska Capital Income	AS 37.05.545	No	GF	3.11, 3.12
Alaska Children's Trust	AS 37.14.200	No	GF	3.11, 3.12
Alaska Clean Water	AS 46.03.032-036 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Debt Retirement	AS 37.15.011	No	GF	3.11, 3.12
Alaska Drinking Water	AS 46.03.036-038 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Energy Authority	AS 44.83.020	Yes	DPCU	6.01, 6.02
Alaska Fish and Game Revenue Bond Redemption	AS 37.15.770	Yes	DSF	3.41, 3.42
Alaska 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 Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.11, 3.12
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.11, 3.12
Alaska Mental Health Trust Authority	AS 47.30.011	Yes	DPCU	6.01 - 6.04
Alaska Municipal Bond Bank Authority	AS 44.85.020	Yes	DPCU	6.01, 6.02
Alaska National Guard and Alaska Naval Militia Retirement System	AS 26.05.222	Yes	PTF	5.01, 5.02
Alaska Natural Gas Development Authority	AS 41.41.010	Yes	DPCU	6.01, 6.02
Alaska Permanent Fund	Constitution, Art. IX, sec. 15	Yes	PF	1.11 - 1.13
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 Sport Fishing Construction Account	AS 16.05.130(f)	Yes	CPF	3.51, 3.52
Alaska Student Loan Corporation	AS 14.42.100	Yes	DPCU	6.01, 6.02
Alaska Technical and Vocational Education Program	AS 23.15.830	No	GF	3.11, 3.12
Alaska Transportation Infrastructure Bank	Section 350 of the NHSD Act of 1995 Federal Law	No	GF	3.11, 3.12
Alaska Veterans' Memorial Endowment	AS 37.14.700(a)	Yes	GF	3.11, 3.12
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13
Alcohol and Other Drug Abuse Treatment and 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., Alaska, and Alyeska Pipeline Service Company	Yes	SRF	3.31, 3.32
Anatomical Gift Awareness	AS 13.50.160(a)	No	GF	3.11, 3.12

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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
Budget Reserve - Statutory	AS 37.05.540	No	GF	3.11, 3.12
Building Safety Account	AS 44.31.025	No	GF	3.11, 3.12
Child Care Facility Revolving Loan	AS 44.33.240	Yes	CAEF	4.11 - 4.13
Clean Air Protection	AS 46.14.260	Yes	SRF	3.31 - 3.33
	Federal Clean Air Act			
Commercial Fishing Revolving Loan	AS 16.10.340	Yes	CAEF	4.11 - 4.13
Commercial Passenger Vessel Environmental Compliance	AS 46.03.482	No	GF	3.11, 3.12
Constitutional Budget Reserve	Constitution, Art. IX, sec. 17 AS 37.13	Yes	GF	3.11, 3.12
Correctional Industries	AS 33.32.020	Yes	ISF	4.41 - 4.43
Deferred Compensation	AS 39.45.010	Yes	PTF	5.01, 5.02
Deposits, Suspense, and Miscellaneous		Yes	AF	5.11, 5.12
Disaster Relief	AS 26.23.300	No	GF	3.11, 3.12
Donated Commodity Fee	USC 7 CFR, Part 250	No	GF	3.11, 3.12
Educational and Museum Facility Design, Construction, and Major Maintenance (GO Bonds)	Ch 2, SSSLA 2002	Yes	CPF	3.51, 3.52
Educational Facilities Maintenance and Construction	AS 37.05.560	No	GF	3.11, 3.12
Election	Federal H.R. 3295	No	GF	3.11, 3.12
Employment Assistance and Training Program Account	AS 23.15.625	No	GF	3.11, 3.12
Exxon Valdez Oil Spill Investment Trust	PL 106-113	Yes	AF	5.11, 5.12
Exxon Valdez Oil Spill Restoration	U.S. District Court Judgment	Yes	SRF	3.31 - 3.33
Exxon Valdez Oil Spill Unincorporated Rural 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 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, Title V - Fisheries Disaster, 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

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Impact Aid	Federal PL 103-382	Yes	AF	5.11, 5.12
Information Services	AS 44.21.045	Yes	ISF	4.41 - 4.43
International Airports	AS 37.15.410-550	Yes	EF	1.21 - 1.23
Investment Loss Trust	AS 37.14.300	No	PTF/SBS	5.01, 5.02
Judicial Retirement System	AS 22.25.048	Yes	PTF	5.01, 5.02
Knik Arm Bridge and Toll Authority	AS 19.75.021	Yes	OAEF	4.31 - 4.33
Major Maintenance Grant	AS 14.11.007	No	GF	3.11, 3.12
Memorial Education Revolving Loan	AS 14.43.255	Yes	GF	3.11, 3.12
Mining Revolving Loan	AS 27.09.010	Yes	CAEF	4.11 - 4.13
Municipal Capital Project Matching Grant	AS 37.06.010	No	GF	3.11, 3.12
National Petroleum Reserve	AS 37.05.530	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation Bond Redemption	AS 18.56.086	Yes	DSF	3.41, 3.42
Oil and Hazardous Substance Release Prevention and Response	AS 46.08.010	No	GF	3.11, 3.12
Oil and Hazardous Substance Release Prevention Mitigation Account	AS 46.08.020(b)	No	GF	3.11, 3.12
Oil and Hazardous Substance Release Response Mitigation Account	AS 46.08.025(b)	No	GF	3.11, 3.12
Permanent Fund Dividend	AS 43.23.045	Yes	GF	3.11, 3.12
Public Advocacy Trust	AS 44.21.410	Yes	AF	5.11, 5.12
Public Education	AS 14.17.300	No	GF	3.11, 3.12
Public Employees' Retirement System	AS 39.35.020	Yes	PTF	5.01, 5.02
Public School Trust	AS 37.14.110	Yes	PF	3.01, 3.02
Railbelt Energy	AS 37.05.520	No	GF	3.11, 3.12
Randolph-Sheppard Small Business	AS 23.15.130	No	GF	3.11, 3.12
	20 USC 107-107(f)			
Real Estate Surety	AS 08.88.450	No	GF	3.11, 3.12
Reclamation Bonding Pool	AS 27.19.040	Yes	SRF	3.31 - 3.33
Residential Energy Conservation	AS 45.89.010	Yes	EAEF	4.21 - 4.23
Retiree Health	AS 26.05.020, AS 22.25.048, AS 39.35.020, AS 14.25.010	Yes	PTF	5.01, 5.02
School	AS 43.50.140	Yes	SRF	3.31 - 3.33
School Construction Grant	AS 14.11.005	No	GF	3.11, 3.12
School Trust Land Sales	Attorney General Opinion	No	GF	3.11, 3.12
Second Injury	AS 23.30.040	Yes	SRF	3.31 - 3.33
Senior Care	Ch 3, SLA 2004	No	GF	3.11, 3.12
Small Business Revolving Loan	AS 45.95.060	Yes	CAEF	4.11 - 4.13
State Insurance Catastrophe Reserve Account	AS 37.05.289	No	GF	3.11, 3.12
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.11, 3.12
State Land Reforestation	AS 41.17.300	No	GF	3.11, 3.12
Storage Tank Assistance	AS 46.03.410	No	GF	3.11, 3.12
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02

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Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.11, 3.12
TAPS Rebate	Federal PL 101-380	No	GF	3.11, 3.12
Teachers' Retirement System	AS 14.25.010	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580	No	GF	3.11, 3.12
Training and Building	AS 23.20.130(d)	No	GF	3.11, 3.12
Transportation Projects (GO Bonds)	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Unemployment Compensation	AS 23.20.130	Yes	OAEF	4.31 - 4.33
Unincorporated Community Capital Project 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	AS 23.15.130	No	GF	3.11, 3.12
Enterprise Revolving				
Wage and Hour		Yes	AF	5.11, 5.12
Workers' Safety and Compensation Administration Account	AS 23.05.067	No	GF	3.11, 3.12



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Legend of Acroynms



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LEGEND OF ACRONYMS

Acronym	Description
AF	Agency Fund
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
ANGDA	Alaska Natural Gas Development Authority
AS	Alaska Statute
CAEF	Commercial Assistance Enterprise Fund
CFR	Code of Federal Regulations
Ch	Chapter
CPF	Capital Project Fund
CSED	Child Support Enforcement Division
DPCU	Discretely Presented Component Unit
DSF	Debt Service Fund
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
EAEF	Energy Assistance Enterprise Fund
EF	Enterprise Fund
EVOS	Exxon Valdez Oil Spill
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
GAAP	Generally Accepted Accounting Principles
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
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
SBS	Supplemental Benefits System
SLA	Session Laws of Alaska
SRF	Special Revenue Fund
U of A	University of Alaska
USC	United States Code
USSTURAA	United States Surface Transportation and Uniform Relocation Assistance Act