

State of Alaska

Comprehensive Annual Financial Report

**For the Fiscal Year
July 1, 2010 – June 30, 2011**



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

The FY 2011 CAFR is expected to be available on or after December 15, 2011 on our Internet web site at <http://doa.alaska.gov/dof/reports/cafr.html>.

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 \$18.90 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, 2011

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Introductory Section





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STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

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JUNEAU, ALASKA 99811-0200

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December 15, 2011

The Honorable Sean Parnell, 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, 2011. This report has been prepared by the Department of Administration, Division of Finance. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the State. Statistical and demographic information are included to enable the reader to gain an understanding of the State's financial activities.

INTRODUCTION

Internal Controls

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

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

Audits

The Division of Legislative Audit is the principal auditor of the State's reporting entity. The audit of the CAFR was conducted in accordance with generally accepted auditing standards (GAAS). The independent auditor's report is the first item in the financial section of the CAFR and precedes the MD&A and basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2011, 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.

Budgetary Control

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.

ECONOMIC CONDITION AND OUTLOOK

Economy

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. Four of the most notable are the Constitutional Budget Reserve Fund, the Statutory Budget Reserve Fund, the Permanent Fund Dividend Fund, and the Public Education Fund. Because of materiality and public interest in these funds, individual fund data for each is provided in the combining statements for the General Fund included in this report.

The table below shows General Fund revenues by category for the current and previous fiscal year. Clearly, the State's major source of unrestricted revenue is related to petroleum taxes, rents, and royalties. In FY 11, petroleum revenue increased \$2 billion to 61 percent of all General Fund revenues.

The largest source of nonpetroleum revenues is federal, which makes up 22 percent of revenues. During FY 09, Governor Palin signed the certification required to receive federal funding under the American Recovery and Reinvestment Act of 2009. Alaska is authorized to receive nearly \$1.3 billion in formula and competitive funding available under the Act. The amount expended, as of September 2011, is approximately \$818 million.

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 11	Percent	FY 10	Percent
Petroleum Revenue				
Property Tax	\$ 184.3	1.6%	\$ 118.8	1.4%
Corporate Petroleum Income Tax	601.8	5.4%	493.7	5.6%
Severance Tax	4,131.4	36.9%	2,610.0	32.5%
Mineral Bonuses and Rents	10.3	0.1%	9.1	0.1%
Oil and Gas Royalties	1,853.5	16.6%	1,523.0	17.3%
Total Petroleum Revenue	6,781.3	60.6%	4,754.6	56.9%
Nonpetroleum Revenue				
Taxes	440.8	3.9%	356.4	1.2%
Licenses and Permits	117.3	1.1%	114.0	1.3%
Charges for Services	179.3	1.6%	163.9	1.9%
Fines and Forfeitures	11.6	0.1%	14.6	0.1%
Rents and Royalties	12.0	0.1%	15.9	0.2%
Interest and Investment Income/(Loss)	1,159.0	10.4%	925.1	10.5%
Other Revenue	77.4	0.7%	64.1	0.7%
Total Nonpetroleum Revenue	1,997.4	17.9%	1,654.0	15.9%
Federal Revenue	2,407.9	21.5%	2,394.1	27.2%
Total Revenues	\$ 11,186.6	100.0%	\$ 8,802.7	100.0%

The total expenditures charged against General Fund appropriations during FY 11 amounted to \$9.3 billion, an increase of \$887.6 million from FY 10. The majority of this increase is attributable to the Department of Commerce, Community and Economic Development increased capital grant activity. Expenditures by department are compared with the prior year in the following table:

Department Expenditures (stated in millions)	FY 11	Percent	FY 10	Percent
Office of the Governor	\$ 114.7	1.2%	\$ 74.5	0.9%
Administration	505.5	5.4%	452.0	5.4%
Law	70.2	0.8%	146.7	1.7%
Revenue	1,016.5	10.9%	1,010.4	12.0%
Education and Early Development	1,526.1	16.4%	1,472.5	17.5%
Health and Social Services	2,351.2	25.3%	2,181.4	25.9%
Labor and Workforce Development	148.2	1.6%	149.6	1.8%
Commerce, Community, and Economic Development	909.3	9.8%	380.7	4.5%
Military and Veterans' Affairs	105.9	1.1%	76.1	0.9%
Natural Resources	188.8	2.0%	199.7	2.4%
Fish and Game	109.8	1.2%	96.4	1.1%
Public Safety	206.2	2.2%	175.8	2.1%
Environmental Conservation	152.8	1.6%	137.9	1.6%
Corrections	260.2	2.8%	248.8	3.0%
Transportation and Public Facilities	1,066.6	11.5%	1,076.5	12.8%
Legislature	57.3	0.6%	56.1	0.7%
Debt Service	9.0	0.1%	8.0	0.1%
Alaska Court System	99.8	1.1%	94.8	1.1%
University	409.0	4.4%	381.6	4.5%
Total Expenditures	<u>\$ 9,307.1</u>	<u>100.0%</u>	<u>\$ 8,419.5</u>	<u>100.0%</u>

Major Industry

The State's major source of revenue is petroleum related. The price of oil has had its ups and downs over the years and the price increased steadily during FY 11. The Department of Revenue projected a FY 11 average price of \$91.13 per barrel for the Alaska North Slope West Coast price in its Spring 2011 forecast. Actual Alaska North Slope oil prices were \$3.36 per barrel higher than the estimate, averaging \$94.49 for the fiscal year.

With the State so dependent on petroleum revenues, the price of oil and gas is always a critical element for budgeting. After the Alaska Gasline Inducement Act was signed in June 2007, the administration initiated a competitive process to select a licensee to build the gas pipeline. On August 1, 2008, the Twenty-Fifth Legislature passed Chapter 3, 4SSLA 08 which authorizes the issuance of a license to TransCanada Alaska Company, LLC and Foothills Pipe Lines, Ltd. ExxonMobil joined the TransCanada Alaska Company AGIA project in June of 2009. TransCanada Alaska Company and Exxon completed the open season for the gas pipeline in July of 2010.

The method of calculating production tax revenue changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT). The tax rate structure changed again in November 2007 with the passage of the Alaska Clear and Equitable Share (ACES) legislation (Chapter 1, SSLA 07).

The increase in petroleum revenues collected in FY 11 is attributable to higher prices as discussed in the MD&A and further explained in Schedule B-2 of the statistical section of this report.

Long-term Financial Planning

With declining oil production, a poor national economy, and an unfunded pension liability, the State of Alaska has placed excess funding in our Statutory Budget Reserve Fund and the Constitutional Budget Reserve Fund, and has provided forward funding for K-12 Education and the Alaska Performance Scholarship program. These deposits will contribute towards the future fiscal health of the State of Alaska.

The State of Alaska's bond rating was upgraded in November 2010 to Aaa, the highest grade, by Moody's Investors Services. This is the first Aaa rating in the State's history, and represents the first upgrade due to a reassessment of the State's credit since 1992. According to Moody's, this upgrade is due to the State's large financial reserves, strong financial management, and conservative fiscal decisions.

During FY 11 and looking forward to FY 12, the State of Alaska has taken steps to reduce the amount of long-term debt obligations. In the first session of the 27th Legislature (2011-2012) there were three extraordinary appropriations reducing long-term debt.

- A capital lease obligation of the State was diminished through the defeasement of \$20.6 million of optionally redeemable lease revenue bonds of the Municipality of Anchorage in October 2011.
- Optionally redeemable obligations of three state certificates of participation issues totaling \$22 million par amount were defeased in November 2011.
- An FY 12 General Fund appropriation of \$150 million replaced authority to issue general obligation bonds approved in 2008, and extinguished the ability to incur this previously approved debt.

The State has never before defeased subject to appropriation lease obligations or replaced approved general obligation bonding authority with a current year General Fund appropriation. The combination of these three actions decreased existing or future anticipated long term liabilities of the State of Alaska by \$192.6 million.

Net assets at June 30, 2011 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$11.6 billion and \$4.8 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2010, actuarial valuations indicated the actuarial accrued liabilities were 62.0 percent pensions and 50.4 percent postemployment funded for PERS, and 54.3 percent pension and 48.1 percent postemployment 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.

Looking ahead at the next 10 years, a cornerstone of Alaska's fiscal plan is to diversify its revenue base. The main emphasis of the 10-year plan is to facilitate Alaska's transition from a predominantly oil revenue base to an oil and natural gas revenue base. Construction of a pipeline to monetize Alaska's natural gas resources is a key element in providing for the future fiscal and economic stability of the State. Revenue generated from a natural gas pipeline will help diversify Alaska's revenue sources and provide a substantial source of new revenue to offset declining oil revenue. In addition, the gas pipeline will provide economic opportunity through the provision of a stable, clean source of energy to fuel Alaskan businesses and homes for years to come.

Relevant Financial Policies

Spending Limitation

Since July 1, 1981, the Alaska Constitution Article IX, Section 16, establishes the annual appropriation spending limit of \$2.5 billion plus a formula which factors in changes in population and inflation. This is further discussed in Note 2.

Investments

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 judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury has established an array of investment pools with varying investment horizons and risk profiles. Investments are managed in a pooled environment unless required by statute or bond resolution to be held separately. Commingled investment pools maximize earnings potential, provide economies-of-scale, and allow smaller funds to participate in investment opportunities that would otherwise be unavailable to them. Rather than each participant (fund) buying identical individual securities, larger quantities of securities can be purchased at one time, reducing the operating costs 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 many subfunds of the General Fund to segregate cash for budgeting purposes. In 1990 the legislature appropriated the entire General Fund balance available for appropriation at the end of FY 91 to a statutory Budget Reserve Fund (SBRF). By a vote of the people in 1990, the Alaska Constitution was amended to establish a separate Constitutional Budget Reserve Fund (CBRF) into which oil tax settlement revenues are deposited. The effect of these actions diverted cash historically destined for the General Fund to other cash pools that were not available to pay day-to-day State operating costs.

Also contributing to the potential for a cash deficiency is the fact that the inflow of unrestricted revenues does not mirror the outflow of cash expenditures. Revenues and expenditures are cyclic with high and low periods, which do not necessarily coincide. The first quarter expenditures of each fiscal year are generally higher than revenues for the same period. Clearly, if the General Fund (excluding the subfunds) does not have a large cash balance at the beginning of the fiscal year or if other sources of funds are not

available, the State faces the possibility of a cash deficiency before the end of the first quarter. A memorandum of understanding outlines the steps to be taken in various scenarios involving a cash deficiency.

Borrowing from the budget reserve funds has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by including language in the appropriation act permitting the executive branch to borrow cash from the statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, FY 03, FY 04, and FY 05 to balance revenues and expenditures. In FY 07, FY 08, FY 09, and FY 10, \$50 million, \$3 billion, \$1 billion, and \$401.6 million respectively, was appropriated from the General Fund to the CBRF to pay the remaining borrowed amount. All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11.

At the end of FY 11, the remaining available balance of \$385 million in the General Fund was transferred to the Statutory Budget Reserve Fund per Chapter 13, SLA 2010, section 18.

Initiatives

Over the next five years the State is implementing an Enterprise Resource Planning (ERP) solution powered by AMS-Advantage to replace disparate administrative systems. The integration of financial, Human Resource/payroll, and procurement functions into one statewide system will provide greater transparency and more efficient management of resources.

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.omb.alaska.gov.

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, 2010. This is the eighth 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 only a one year period. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2011 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,

//signature on file//

Becky Hultberg
Commissioner
Department of Administration

//signature on file//

Scot Arehart
Director
Division of Finance

//signature on file//

Lisa M. Pusich, CPA
Deputy Director
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, 2010

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

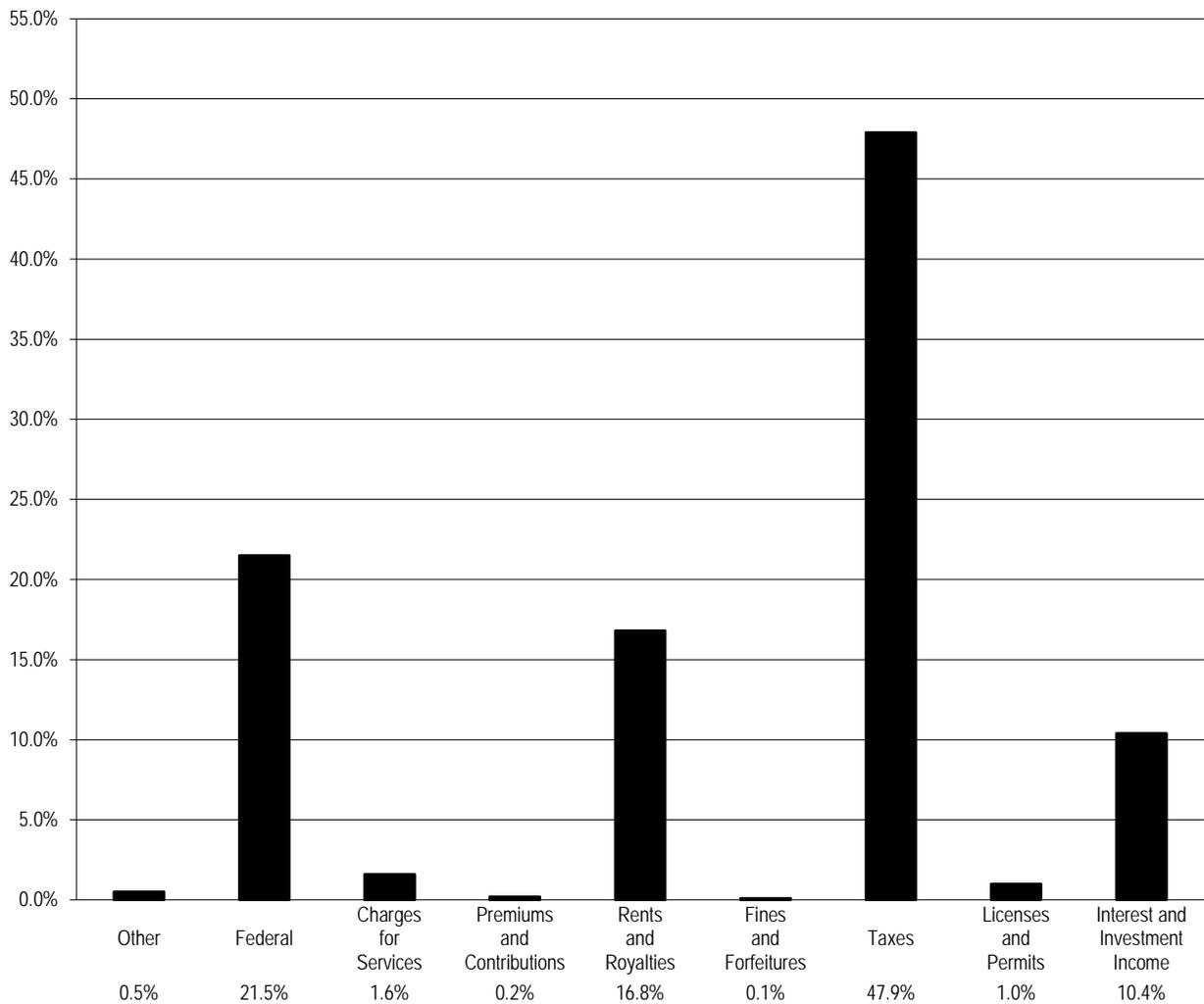
Executive Director

EXHIBIT 1

STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

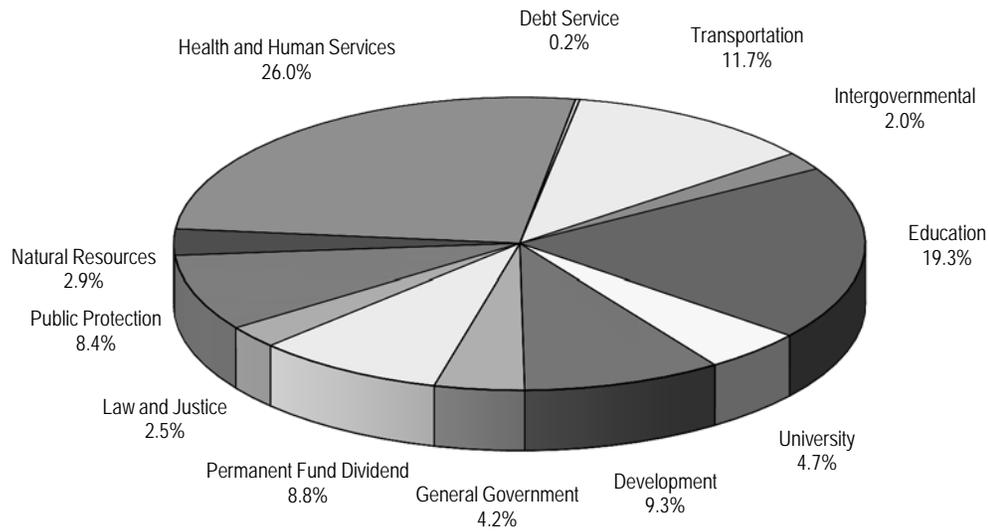
\$11,187
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

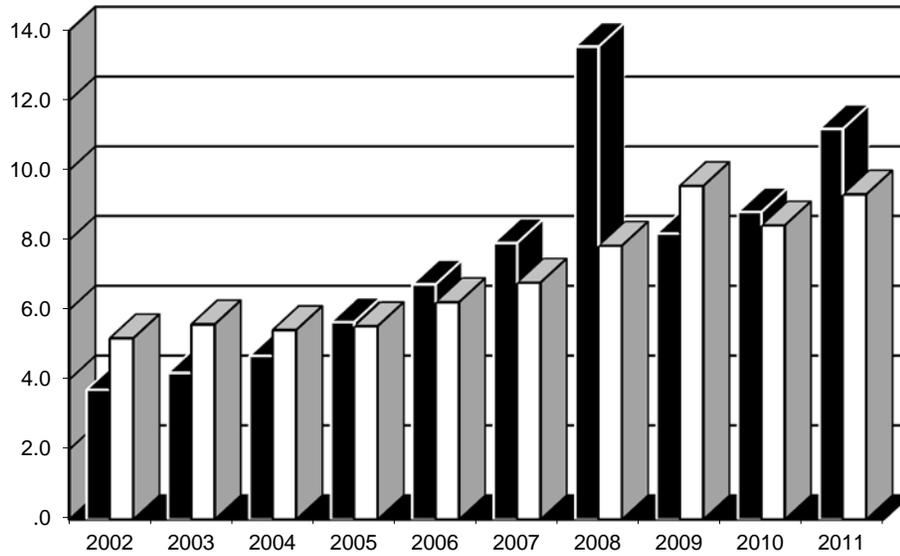
\$9,307
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

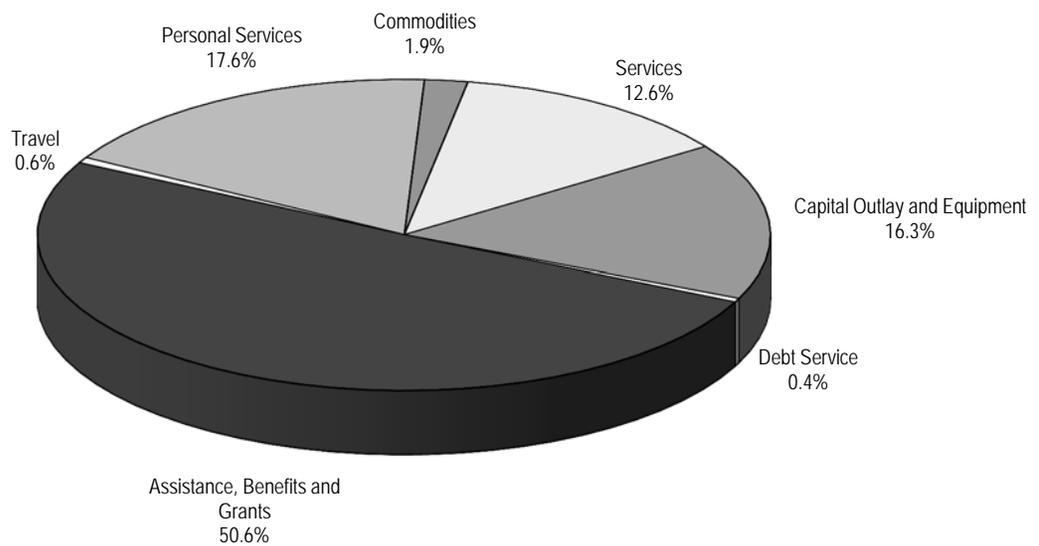
TEN YEAR COMPARISON
FOR THE FISCAL YEARS 2002 THROUGH 2011

(Stated in Billions)



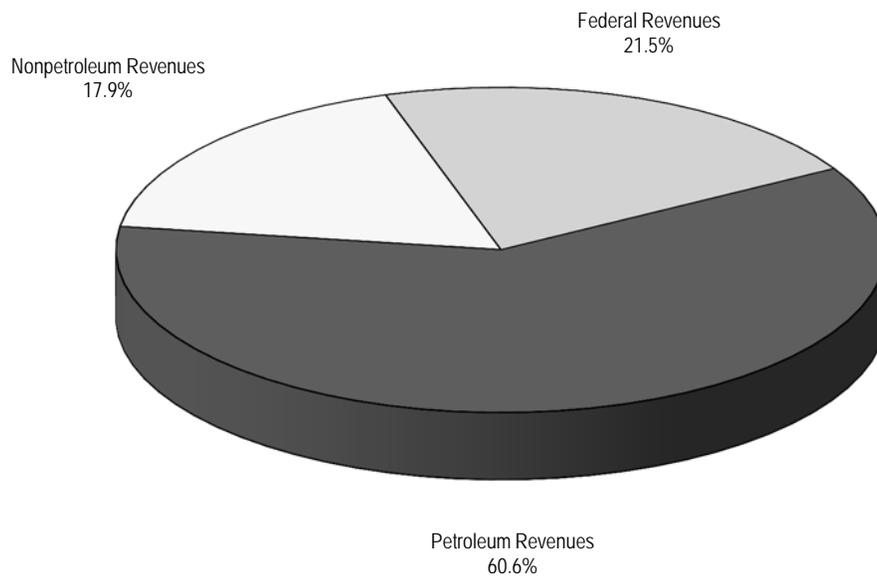
STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011



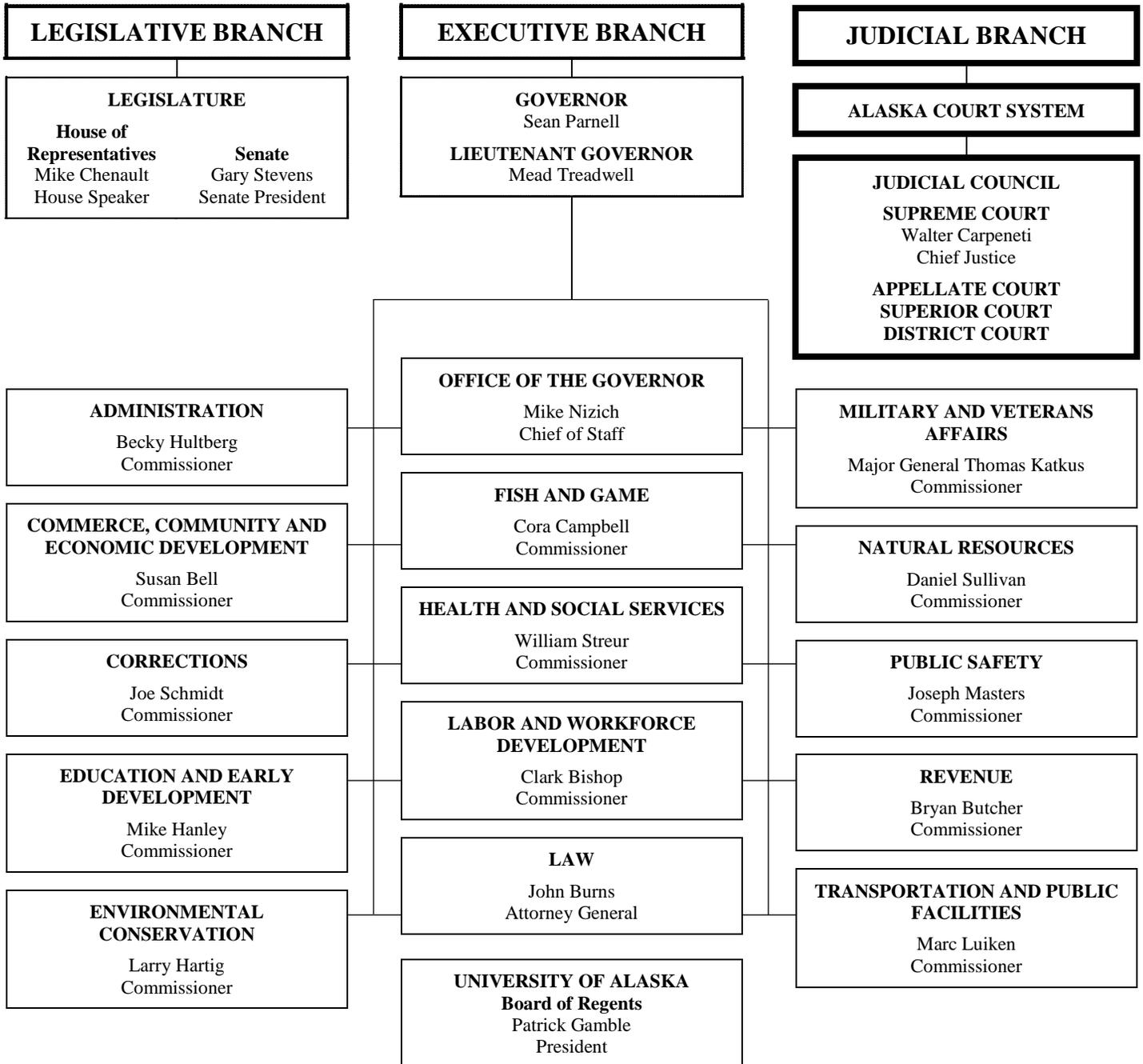
STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011



STATE OF ALASKA ORGANIZATION CHART

As of June 30, 2011



- 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 the governor's policy and objectives.

ADMINISTRATION

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

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

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

The Department of Commerce, Community, and Economic Development promotes economic development, strengthens communities and provides consumer protection. To accomplish these, the department implements programs for sustainable business growth and reduced energy cost, regulates and enforces to provide a stable business climate, and provides technical and financial assistance and volunteerism outreach opportunities for communities.

The department consists of core agencies including: Division of Banking and Securities, Division of Corporations, Professional and Business Licensing, Division of Community and Regional Affairs, Division of Insurance, and the Division of Economic Development. Various corporate agencies are also part of the department, including: Alaska Aerospace Corporation, Alaska Industrial Development and Export Authority, Alaska Energy Authority, Alaska Railroad Corporation, Alaska Seafood Marketing Institute, Regulatory Commission of Alaska, and the Serve Alaska Commission.

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 commis-

sioner 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, museum services, provides grants to the arts community, and provides financial aid to post-secondary students through the Alaska Commission on Postsecondary Education.

ENVIRONMENTAL CONSERVATION

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

To accomplish these results, the department develops and enforces standards for protection of the environment and the abatement of pollution to air, land and water; and controls sanitary practices related to food, drinking water and solid waste. 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 oil spill response equipment for preparedness and cleanup of oil and hazardous substances releases.

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

FISH AND GAME

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

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

HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services' mission is to promote and protect the health and well-being of Alaskans. The overriding theme for the department's future direction is "helping individuals and families create safe and healthy communities" by strategically focusing on substance abuse, health and wellness, health care reform, long-term care and vulnerable Alaskans.

The department's primary functions include: operation of the Alaska Veterans and Pioneers Homes, support services for seniors and disabled Alaskans; child protection and family preservation services; operation of youth detention facilities and assisting offenders and their families in developing skills to prevent crime; and providing basic supports and promoting self sufficiency for vulnerable individuals who are unable to provide for themselves.

The department is committed to prevention of illness, health promotion and protection; overseeing community-based mental health and substance abuse services across the continuum of care (prevention, early intervention, treatment and recovery programs), including operation of the Alaska

Psychiatric Institute; and provision of Medicaid services for low income and disabled Alaskans.

LABOR AND WORKFORCE DEVELOPMENT

The Department of Labor and Workforce Development is responsible for advancing opportunities for employment and insuring that employers provide safe and legal working conditions. The department offers employment services, unemployment insurance, adult basic education, job training, workers' compensation adjudication and rehabilitation services, the Fishermen's and Second Injury Funds, and vocational rehabilitation for people with disabilities. In addition, the department enforces laws and regulations assuring occupational safety and health, performs mechanical inspections, and administers state wage and hour laws; 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, the Workers' Compensation Appeals Commission and the Alaska Vocational Technical Center.

LAW

The Department of Law is responsible for ensuring safe communities in part through the prosecution and conviction of criminal offenders. The department files both misdemeanor and felony charges; serves as legal advisor to grand juries; and represents the state in all phases of criminal trial and appellate proceedings. It provides legal assistance to state and local law enforcement, the Department of Corrections and the Division of Juvenile Justice. It also works in partnership with executive, legislative, and judicial agencies by providing legal advice and representing the state in all actions in which it is a party. Such actions include protecting Alaska's children and youth by handling child abuse, neglect, and delinquency cases expeditiously; resolving questions of state versus federal control of natural resources; ensuring that the state receives its correct share of oil and gas taxes and royalties; collecting money owed to the state by businesses and individuals for child support, fines, and other unpaid obligations; and defending the state against claims for personal injury and other damages.

MILITARY AND VETERANS AFFAIRS

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

NATURAL RESOURCES

The Department of Natural Resources manages the majority of state-owned land, water and natural resources, except fish and game. These resources include approximately 100.1 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: develop, conserve, and enhance the natural resources of the State of Alaska; raise public awareness that Alaska's natural resources are the basic asset of our economy; stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic value; determine the potential for natural hazards that may impact people and facilities in Alaska; and

maintain access to and manage the state's land records. The department also plays an instrumental role in the Alaska Gasline Inducement Act (AGIA) process, a law designed to advance construction of a natural gas pipeline from the North Slope to market.

The department serves the state from offices located in 30 Alaskan communities, and encompasses the divisions of Agriculture; Coastal and Ocean Management; Forestry; Geological and Geophysical Surveys; Mining, Land and Water; Oil and Gas; Parks and Outdoor Recreation; Support Services; the AGIA Coordinator's Office; the Office of Project Management and Permitting; the Mental Health Trust Land Office; the Joint Pipeline Office; the Citizens Advisory Commission on Federal Areas, the Natural Resources Conservation and Development Board, and the Seismic Hazards Safety Commission. The department is responsible for managing the two largest oil and gas fields in North America; a park system that contains one-third of the nation's state park lands; 40% of the nation's fresh water; fire suppression management for over 134 million acres; forest resource management in three state forests totaling over 2 million acres; mineral management involving 47,412 mining claims; an agricultural program that encompasses 600-800 farms; a comprehensive archive of indigenous plant materials; and a geologic sample archive representing more than 13 million feet of oil and gas exploration and production drilling, and 450,000 feet of mineral exploration core drilling throughout the state.

PUBLIC SAFETY

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

REVENUE

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

TRANSPORTATION AND PUBLIC FACILITIES

The Department of Transportation and Public Facilities is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes approximately 260 state-owned airports and seaplane bases, more than 5,000 miles of state roads, over 700 buildings ranging from maintenance shops to state office complexes, and 25 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 33 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 approximately 7,800 light- and heavy-duty vehicles and attachments for state departments, agencies and offices.

ALASKA STATE LEGISLATURE

Twenty-Seventh Legislature, First Session (2011)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	Bert Stedman (R)	Sitka	1	Kyle Johansen (R)	Ketchikan
			2	Peggy Wilson (R)	Wrangell
B	Dennis Egan (D)	Juneau	3	Beth Kerttula (D)	Juneau
			4	Cathy Engstrom Munoz (R)	Juneau
C	Albert Kookesh (D)	Angoon	5	William "Bill" Thomas, Jr. (R)	Haines
			6	Alan Dick (R)	Stony River
D	Joe Thomas (D)	Fairbanks	7	Bob Miller (D)	Fairbanks
			8	David Guttenberg (D)	Fairbanks
E	Joe Paskvan (D)	Fairbanks	9	Scott Kawasaki (D)	Fairbanks
			10	Steve Thompson (R)	Fairbanks
F	John Coghill Jr. (R)	North Pole	11	Tammie Wilson (R)	North Pole
			12	Eric Feige (R)	Chickaloon
G	Linda K. Menard (R)	Wasilla	13	Carl Gatto (R)	Palmer
			14	Wes Keller (R)	Wasilla
H	Charlie Huggins (R)	Wasilla	15	Mark Neuman (R)	Wasilla
			16	Bill Stoltze (R)	Chugiak
I	Fred Dyson (R)	Eagle River	17	Anna Fairclough (R)	Eagle River
			18	Dan Saddler (R)	Eagle River
J	Bill Wielechowski (D)	Anchorage	19	James "Pete" Peterson (D)	Anchorage
			20	Max Gruenberg (D)	Anchorage
K	Bettye Davis (D)	Anchorage	21	Lance Pruitt (R)	Anchorage
			22	Sharon Cissna (D)	Anchorage
L	Johnny Ellis (D)	Anchorage	23	Les Gara (D)	Anchorage
			24	Berta Gardner (D)	Anchorage
M	Hollis French (D)	Anchorage	25	Mike Doogan (D)	Anchorage
			26	Lindsey Holmes (D)	Anchorage
N	Lesil McGuire (R)	Anchorage	27	Mia Costello (R)	Anchorage
			28	Craig Johnson (R)	Anchorage
O	Kevin Meyer (R)	Anchorage	29	Chris Tuck (D)	Anchorage
			30	Charisse E. Millett (R)	Anchorage
P	Cathy Giessel (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	Alan Austerman (R)	Kodiak
S	Lyman Hoffman (D)	Bethel	37	Bryce Edgmon (D)	Dillingham
			38	Bob Herron (D)	Bethel
T	Donald Olson (D)	Nome	39	Neal Foster (D)	Nome
			40	Reggie Joule (D)	Kotzebue

LEADERSHIP

STATE SENATE
Gary Stevens, Senate President

HOUSE OF REPRESENTATIVES
Mike Chenault, House Speaker

FINANCE COMMITTEES

STATE SENATE
Lyman Hoffman, Co-Chair
Bert Stedman, Co-Chair

HOUSE OF REPRESENTATIVES
Bill Stoltze, Co-Chair
Bill Thomas, Co-Chair
Anna Fairclough, Vice-Chair

Members:
Dennis Egan, Johnny Ellis,
Lesil McGuire, Donald Olson,
and Joe Thomas

Members:
Mia Costello, Mike Doogan, Bryce Edgmon,
Les Gara, David Guttenberg, Reggie Joule,
Mark Neuman, and Tammie Wilson

Financial Section





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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
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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, 2011, 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 one discretely presented component unit: Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Net Assets/ Fund Balance</u>	<u>Percent of Revenues</u>
Governmental Activities	63%	62%	40%
Aggregate Discretely Presented Component Units	5%	8%	7%
Major Funds:			
Alaska Permanent Fund	100%	100%	100%
Aggregate Remaining Fund Information:			
Fiduciary Funds	86%	87%	83%

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska as of June 30, 2011, 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 information, 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 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 schedules, 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 and schedules 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.

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Pat Davidson, CPA
Legislative Auditor

December 9, 2011

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, 2011. 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 11 by \$66.3 billion (net assets). Of this amount, \$6.4 billion is invested in capital assets, \$39.5 billion is restricted for various purposes, and unrestricted net assets are \$20.4 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 \$9.8 billion as a result of this year's operations. This increase is primarily attributable to petroleum related income and interest and investment gains compared to the previous year.

Fund level

- Beginning in FY 10 the State implemented GASB Statement 54, which provides new fund balance classifications for governmental funds. The previous reserved and unreserved classifications have been replaced with nonspendable, restricted, and unrestricted balances. Additional information on the State's fund balances can be found in Note 1 in the notes to the basic financial statements.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$59.6 billion, with \$20.7 billion unrestricted (includes committed, assigned, and unassigned), \$38.4 billion nonspendable, and \$540 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$37.8 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, compensating balances, advances and prepaid items, and the principal of other nonmajor permanent funds.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was a surplus of \$17.5 billion. This is an increase of \$2.2 billion from FY 10. The increase is mainly attributable to petroleum related income.

Long-term debt

- As a result of this year's activity, the State's total long-term debt increased by \$241 million (10 percent). The increase in debt is primarily due to the sale of general obligation bonds. Pollution Remediation long term liability also increased based on new sites and the valuation of existing sites.

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

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

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

- Capital assets (land, buildings, equipment, infrastructure, intangibles, 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.
- Certain revenues, unavailable to pay for current period expenditures, are not reported in the governmental fund 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.
- Bond 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 fund statements, and the International Airports Fund, which is included in the proprietary fund 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 96.8 percent of total government-wide cash and investments and 87.4 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

The State's main operating fund is the General Fund. However, the State maintains many accounts and subfunds within the General Fund, including the Constitutional Budget Reserve Fund, the Statutory 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. The International Airports Fund is 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 primary government 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 \$66.3 billion at the close of the most recent fiscal year (see table below). By far the largest portion of

the State's net assets (61 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$37.8 billion) may not be spent.

The remainder of the State's net assets (39 percent) represents amounts invested in capital assets net of related debt (\$6.4 billion), resources that are subject to external restrictions of how they may be used (\$1.7 billion), and unrestricted net assets of \$20.4 billion, of which \$2.3 billion is within the Alaska Permanent Fund.

Net Assets						
(Stated in millions)						
	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	FY 11	FY 10	FY 11	FY 10	FY 11	FY 10
Current and Other Noncurrent Assets	\$ 65,939	\$ 54,280	\$ 1,105	\$ 1,109	\$ 67,044	\$ 55,389
Capital Assets	6,403	6,237	1,266	1,244	7,669	7,481
Total Assets	72,342	60,517	2,371	2,353	74,713	62,870
Long-term Liabilities	2,168	1,958	604	573	2,772	2,531
Other Liabilities	5,648	3,887	20	18	5,668	3,905
Total Liabilities	7,816	5,845	624	591	8,440	6,436
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	5,619	5,430	783	766	6,402	6,196
Restricted	38,808	32,819	671	679	39,479	33,498
Unrestricted	20,099	16,423	293	317	20,392	16,740
Total Net Assets	\$ 64,526	\$ 54,672	\$ 1,747	\$ 1,762	\$ 66,273	\$ 56,434

The net assets of governmental activities increased \$9,854 million and business-type activities decreased \$15 million as a result of this year's operations. The increase for governmental activities is primarily due to petroleum related income and interest and investment gains compared to the previous year. The decreases in business-type activities is primarily due to interest and investment losses.

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 11.

	Changes in Net Assets					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 11	FY 10	FY 11	FY 10	FY 11	FY 10
Revenues						
Program Revenues						
Charges for Services	\$ 3,091	\$ 2,563	\$ 311	\$ 291	\$ 3,402	\$ 2,854
Operating Grants	2,029	1,913	107	100	2,136	2,013
Capital Grants	659	591	48	84	707	675
General Revenues						
Taxes	5,382	3,601	-	-	5,382	3,601
Interest and Investment Income/(Loss)	8,075	4,529	(16)	(13)	8,059	4,516
Payments In from Component Units	43	40	-	-	43	40
Other Revenues	78	70	-	11	78	81
Total Revenues	19,357	13,307	450	473	19,807	13,780
Expenses						
General Government	466	423	-	-	466	423
Alaska Permanent Fund Dividend	818	817	-	-	818	817
Education and University	2,315	2,093	-	-	2,315	2,093
Health and Human Services	2,420	2,262	-	-	2,420	2,262
Law and Justice	188	241	-	-	188	241
Public Protection	740	697	-	-	740	697
Natural Resources	394	343	-	-	394	343
Development	893	319	3	2	896	321
Transportation	1,027	1,135	-	-	1,027	1,135
Intergovernmental	190	178	-	-	190	178
Debt Service	51	48	-	-	51	48
Loans	-	-	5	5	5	5
Unemployment Compensation	-	-	325	340	325	340
Airports	-	-	134	115	134	115
Total Expenses	9,502	8,556	467	462	9,969	9,018
Excess (Deficiency) of Revenues						
Over Expenditures	9,855	4,751	(17)	11	9,838	4,762
Transfers	(1)	(5)	1	5	-	-
Change in Net Assets	9,854	4,746	(16)	16	9,838	4,762
Net Assets - Beginning of Year	54,672	49,926	1,762	1,746	56,434	51,672
Net Assets - End of Year	\$ 64,526	\$ 54,672	\$ 1,746	\$ 1,762	\$ 66,272	\$ 56,434

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, unassigned, assigned, and committed fund balances 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 \$59.6 billion, an increase of \$9.8 billion in comparison with the prior year. This increase is from petroleum related income and the Alaska Permanent Fund investment gains.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of \$13.1 billion, and \$4.4 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$2.3 billion, and the remaining nonmajor governmental funds had committed fund balances of \$817 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund (\$37.8 billion), and other items that are nonspendable, such as inventory, compensating balances, advances and prepaid items, and principal (\$576 million), and amounts restricted for a variety of other purposes (\$540 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unrestricted fund balance (includes committed, assigned, and unassigned) of the General Fund was \$17.5 billion, while total fund balance reached \$17.8 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 188 percent of total General Fund expenditures, while total fund balance represents 191 percent of that same amount.

The fund balance of the State's General Fund increased by \$2.2 billion during the current fiscal year. The key factor in this increase is petroleum related income.

There was no appropriated borrowing from the Constitutional Budget Reserve Fund during the fiscal year and the fund remains paid in full.

General Fund revenues for FY 11 were \$11.2 billion, an increase of \$2.4 billion compared to revenues of \$8.8 billion for FY 10. Revenues by source for FY 11 are compared to FY 10 in the following schedule (in millions):

Revenue Source	FY 11	Percent	FY 10	Percent
Taxes	\$ 5,358.3	47.9%	\$ 3,578.9	40.7%
Rents and Royalties	1,875.8	16.8%	1,548.0	17.6%
Interest and Investment Income/(Loss)	1,159.0	10.3%	925.1	10.5%
Federal	2,407.9	21.5%	2,394.1	27.2%
Miscellaneous	385.6	3.5%	356.6	4.0%
Total Revenue	\$ 11,186.6	100.0%	\$ 8,802.7	100.0%

The primary component of this revenue increase is petroleum related income compared to the previous year. These petroleum revenues include corporate income tax, severance tax, and rents and royalties.

Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2011, this amounted to \$33.0 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$12.8 billion in dedicated mineral revenues; \$13.2 billion of fund realized earnings transferred to principal for inflation proofing; \$6.9 billion in additional deposits approved by special legislative appropriation, and \$153 million in settlement earnings (*State v. Amerada Hess, et al.*).

A portion of accumulated unrealized appreciation on invested assets is also part of the nonspendable fund balances. The unrealized amounts allocated to contributions and appropriations are nonspendable, unless and until they become realized, at which point they will be transferred to the assigned fund balance. The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to \$4.8 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2011, realized earnings (both gains and losses) have amounted to \$39.2 billion. Of this amount \$19.2 billion has been paid out for dividends, \$13.3 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$400 million has been paid out to the General Fund, and \$2.0 billion remains in the fund at June 30, 2011 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the assigned fund balance amounted to \$292.1 million.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$1.9 billion increase in appropriations (or 12 percent) and can be briefly summarized as follows:

- \$1,150.8 million allocated to education
- \$210.8 million allocated to transportation
- \$210.6 million allocated to development
- The balance is allocated across several expenditure functions.

Of this overall increase in appropriated expenditures, \$295.5 million was funded out of an increase in interagency receipts, which represent purchases between departments, and \$111.1 million was funded out of an increase in federal grants in aid, which is predominantly related to revenues received under the American Recovery and Reinvestment Act of 2009. The remaining increase was funded with money available within the General Fund.

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. However, the increase in the final budget for education is easily identifiable. The increase in budgetary authority for the education function is mainly attributable to additional funding necessary to support the education formula-driven programs within the Public Education Fund, a subfund of the General Fund. Expenditures for public education and pupil transportation are not included in the original budget.

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, 2011, amounts to \$6.4 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 11 totaled \$357 million for governmental activities and \$59 million for business-type activities.

Capital Assets

(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 11	FY 10	FY 11	FY 10	FY 11	FY 10
Land	\$ 844	\$ 823	\$ 30	\$ 30	\$ 874	\$ 853
Buildings	1,128	1,115	738	746	1,866	1,861
Equipment	439	440	31	29	470	469
Infrastructure	2,476	2,499	407	362	2,883	2,861
Construction in Progress	1,516	1,359	60	77	1,576	1,436
Total Capital Assets	\$ 6,403	\$ 6,236	\$ 1,266	\$ 1,244	\$ 7,669	\$ 7,480

In FY 11, increases were primarily in construction in progress with an increase of \$140 million. This increase is attributable to large capital budgets in recent years. 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 \$1,672 million. Of this amount, \$656 million was general obligation bonds, and \$1,016 million of revenue bonds payable comprised of \$370 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$52 million of sport fishing revenue bonds, and \$594 million issued by the International Airport Fund. 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 \$594 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 11	FY 10	FY 11	FY 10	FY 11	FY 10
Revenue Bonds Payable	\$ 422	\$ 426	\$ 594	\$ 562	\$ 1,016	\$ 988
General Obligation Debt	656	490	-	-	656	490
Capital Leases Payable	393	410	-	-	393	410
Deferred Revenues and Advances	344	302	4	4	348	306
Certificates of Participation	40	46	-	-	40	46
Compensated Absences	161	154	5	4	166	158
Claims and Judgments	75	75	-	1	75	76
Pollution Remediation	74	53	1	2	75	55
Other Noncurrent Liabilities	1	1	-	-	1	1
Net Pension Obligation	2	1	-	-	2	1
Total	\$ 2,168	\$ 1,958	\$ 604	\$ 573	\$ 2,772	\$ 2,531

The State's total debt increased by \$241 million (10 percent) as a result of this year's operations. The increase in debt is primarily due to the sale of general obligation bonds. Pollution Remediation long term liability also increased based on new sites and the valuation of existing sites.

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

Significant Facts

State petroleum revenues increased materially from FY 10 to FY 11. The weighted average production tax rate was higher and was applied to a wellhead value of \$86.69 per barrel. In FY 10 \$68.89 per barrel average was realized. This resulted in an increase of General Fund tax revenue of \$2 billion from FY 10.

Another significant factor affecting revenues was an increase of \$3.5 billion in interest and investment income between FY 10 and FY 11. The majority of this amount is from investment gains in the Alaska Permanent Fund. The fund experienced a total fund return of 20.6% for FY 11. This was the third highest return in the history of the fund. The fund has recovered the losses of FY 08 and FY 09 and is again at its pre-2008 global financial crisis value of \$40 billion.

On December 7, 2010 the State sold \$200.0 million of general obligation bonds. The majority were structured under Build America bonds under ARRA.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 11 was 7.7 percent, which is lower than the average unemployment rate for FY 10 of 8.1 percent. Alaska's five year average (2007 to 2011) was 7 percent. The United States unemployment rate for FY 11 was 9.3 percent.
- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 61 percent of total revenue, with federal revenue making up another 22 percent, and the balance coming from other sources. As a result, the State's budget is structured around these two revenue sources. During the fiscal year the price per barrel increased, resulting in higher tax rate and an increase of \$2 billion 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 11 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 596 thousand barrels per day. This is 52 thousand barrels per day less than in the prior year. FY 11 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 71 percent.
- The State of Alaska FY 11 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend (\$1,281/resident) was paid to each qualifying Alaskan for a total of \$818 million.

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, AK 99811-0204.



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Basic Financial Statements





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STATE OF ALASKA
Statement of Net Assets
Government-wide
June 30, 2011
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 60,050,797	\$ 562,679	\$ 60,613,476	\$ 2,324,973
Accounts Receivable - Net	1,182,366	29,425	1,211,791	47,424
Interest and Dividends Receivable	255,912	22,443	278,355	37,329
Internal Balances	67,305	(67,305)	-	-
Due from Primary Government	-	-	-	429,357
Due from Component Units	90,848	-	90,848	2,790
Due from Other Governments	595,896	4,955	600,851	56,121
Loans, Notes, and Bonds Receivable	20,439	394,967	415,406	4,018,899
Inventories	19,295	-	19,295	16,666
Repossessed Property	-	637	637	200
Net Investment in Direct Financing Leases	-	-	-	273,739
Investments in Projects, Partnerships, or Corporations	-	3,777	3,777	-
Securities Lending Collateral	3,617,520	-	3,617,520	36,477
Restricted Assets	2,287	140,173	142,460	1,890,361
Deferred Outflows	-	-	-	100,936
Other Assets	35,897	13,142	49,039	131,953
Capital Assets:				
Equipment, Net of Depreciation	439,271	30,702	469,973	330,254
Buildings, Net of Depreciation	1,127,662	738,472	1,866,134	786,893
Infrastructure, Net of Depreciation	2,476,048	406,890	2,882,938	854,290
Land / Right-of-Way	844,162	29,738	873,900	97,188
Construction in Progress	1,516,242	60,595	1,576,837	189,188
Total Assets	72,341,947	2,371,290	74,713,237	11,625,038
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,607,045	6,443	1,613,488	146,712
Obligations Under Securities Lending	3,617,520	-	3,617,520	36,477
Due to Primary Government	-	-	-	94,060
Due to Component Units	406,126	-	406,126	1,759
Due to Other Governments	34	6,585	6,619	1,285
Interest Payable	16,836	7,012	23,848	34,248
Derivative Instruments	-	-	-	102,895
Other Current Liabilities	-	377	377	102,051
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences and Pollution Remediation	175,233	3,777	179,010	16,479
Unearned and Deferred Revenue	37,826	4,249	42,075	31,760
Notes, Bonds, and Leases Payable	85,520	13,150	98,670	318,488
Other Long-term Debt	-	-	-	3,497
Other Noncurrent Liabilities	726	-	726	793
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences and Pollution Remediation	134,787	2,295	137,082	4,280
Unearned and Deferred Revenue	306,660	-	306,660	467,172
Notes, Bonds, and Leases Payable	1,424,885	580,447	2,005,332	4,107,627
Other Long-term Debt	-	-	-	7,283
Other Noncurrent Liabilities	2,539	327	2,866	22,763
Total Liabilities	7,815,737	624,662	8,440,399	5,499,629
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,618,713	783,353	6,402,066	1,444,722
Restricted for:				
Permanent Funds				
Nonexpendable	38,261,469	-	38,261,469	390,747
Expendable	11,249	-	11,249	97,443
Education	204,046	-	204,046	441,206
Development	266,001	-	266,001	66,213
Unemployment Compensation	-	229,579	229,579	-
Health and Human Services	17,373	393,812	411,185	-
Debt Service	42,232	21,472	63,704	618,725
Other Purposes	5,714	25,629	31,343	47,461
Unrestricted	20,099,413	292,783	20,392,196	3,018,892
Total Net Assets	\$ 64,526,210	\$ 1,746,628	\$ 66,272,838	\$ 6,125,409

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, 2011
(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	\$ 466,540	\$ 10,940	\$ 19,538	\$ 4,686
Alaska Permanent Fund Dividend	817,894	-	-	-
Education	1,864,934	3,195	341,528	4,709
University	449,650	-	1,056	-
Health and Human Services	2,420,412	43,166	1,312,387	71,184
Law and Justice	187,722	17,294	20,470	179
Public Protection	740,113	157,898	87,179	28,896
Natural Resources	394,500	2,798,551	95,113	18,588
Development	892,847	994	53,604	8,104
Transportation	1,026,604	59,215	72,644	510,606
Intergovernmental Revenue Sharing	189,741	-	25,793	-
Debt Service	50,864	-	63	12,353
Total Governmental Activities	<u>9,501,821</u>	<u>3,091,253</u>	<u>2,029,375</u>	<u>659,305</u>
Business-type Activities:				
Loans	5,095	12,652	647	9,478
Unemployment Compensation	325,040	190,321	100,197	145
Airports	134,020	106,604	4,450	34,515
Development	2,633	1,212	1,507	4,281
Total Business-type Activities	<u>466,788</u>	<u>310,789</u>	<u>106,801</u>	<u>48,419</u>
Total Primary Government	<u>\$ 9,968,609</u>	<u>\$ 3,402,042</u>	<u>\$ 2,136,176</u>	<u>\$ 707,724</u>
Component Units:				
University of Alaska	\$ 805,706	\$ 182,439	\$ 238,810	\$ 40,901
Alaska Housing Finance Corporation	418,955	172,238	55,684	138,727
Alaska Industrial Development and Export Authority	50,981	43,425	294	9,707
Nonmajor Component Units	389,078	209,794	125,310	37,316
Total Component Units	<u>\$ 1,664,720</u>	<u>\$ 607,896</u>	<u>\$ 420,098</u>	<u>\$ 226,651</u>

General Revenues:
Taxes:
Severance Taxes
Selective Sales/Use
Income Taxes
Property Taxes
Other Taxes
Interest and Investment Income (Loss)
Tobacco Settlement
Payments In from Component Units
Payments In from Primary Government
Loss on Sale of Loans to Component Units
Other Revenues
Transfers - Internal Activity
Special Items:
Impairment of Capital Asset
Gain on Cancellation of Bonds
Gain on Sale of Asset
Total General Revenues, Transfers, and Special Items
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
\$ (431,376)	\$	\$ (431,376)	\$
(817,894)		(817,894)	
(1,515,502)		(1,515,502)	
(448,594)		(448,594)	
(993,675)		(993,675)	
(149,779)		(149,779)	
(466,140)		(466,140)	
2,517,752		2,517,752	
(830,145)		(830,145)	
(384,139)		(384,139)	
(163,948)		(163,948)	
(38,448)		(38,448)	
<u>(3,721,888)</u>		<u>(3,721,888)</u>	
	17,682	17,682	
	(34,377)	(34,377)	
	11,549	11,549	
	4,367	4,367	
	<u>(779)</u>	<u>(779)</u>	
<u>(3,721,888)</u>	<u>(779)</u>	<u>(3,722,667)</u>	
			(343,556)
			(52,306)
			2,445
			<u>(16,658)</u>
			<u>(410,075)</u>
4,217,074	-	4,217,074	7,513
249,705	-	249,705	-
720,734	-	720,734	-
184,254	-	184,254	-
9,712	-	9,712	-
8,075,366	(16,374)	8,058,992	180,305
29,574	-	29,574	-
42,866	-	42,866	9,743
-	-	-	895,756
-	-	-	(3,850)
48,106	-	48,106	7,337
(1,310)	1,310	-	-
			(810)
			4,734
			3,088
<u>13,576,081</u>	<u>(15,064)</u>	<u>13,561,017</u>	<u>1,103,816</u>
9,854,193	(15,843)	9,838,350	693,741
54,672,017	1,762,471	56,434,488	5,430,396
-	-	-	1,272
<u>\$ 64,526,210</u>	<u>\$ 1,746,628</u>	<u>\$ 66,272,838</u>	<u>\$ 6,125,409</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.



STATE OF ALASKA
Balance Sheet
Governmental Funds
June 30, 2011
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 17,650,862	\$ 41,047,898	\$ 1,247,163	\$ 59,945,923
Accounts Receivable - Net	706,510	456,151	3,478	1,166,139
Interest and Dividends Receivable	126,272	118,564	11,076	255,912
Due from Other Funds	930,289	-	405,458	1,335,747
Due from Component Units	87,038	-	3,810	90,848
Due from Other Governments	588,980	-	6,766	595,746
Loans, Notes, and Bonds Receivable	20,356	-	83	20,439
Inventories	15,877	-	-	15,877
Securities Lending Collateral	-	3,617,520	-	3,617,520
Other Assets	26,594	-	250	26,844
Total Assets	\$ 20,152,778	\$ 45,240,133	\$ 1,678,084	\$ 67,070,995
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 907,253	\$ 668,995	\$ 10,668	\$ 1,586,916
Obligations Under Securities Lending	-	3,617,520	-	3,617,520
Due to Other Funds	431,201	813,404	11,329	1,255,934
Due to Component Units	404,859	-	1,267	406,126
Due to Other Governments	34	-	-	34
Unearned and Deferred Revenue	626,633	-	1,971	628,604
Other Liabilities	726	-	359	1,085
Total Liabilities	2,370,706	5,099,919	25,594	7,496,219
Fund Balances:				
Nonspendable:				
Compensating Balances	100,000	-	-	100,000
Inventory	15,877	-	-	15,877
Principal	-	37,832,394	429,075	38,261,469
Advances and Prepaid Items	30,648	-	-	30,648
Restricted for:				
Debt Service	1,994	-	45,798	47,792
Education	11,793	-	192,253	204,046
Health and Human Services	532	-	16,841	17,373
Development	114,982	-	151,019	266,001
Other Purposes	5,562	-	152	5,714
Committed to:				
Debt Service	11,659	-	-	11,659
Education	1,405,688	-	11,249	1,416,937
Health and Human Services	151,654	-	-	151,654
Public Protection	150,496	-	-	150,496
Permanent Fund	808,295	-	-	808,295
Development	1,788,501	-	806,103	2,594,604
Other Purposes	132,680	-	-	132,680
Assigned to:				
Permanent Fund	-	2,307,820	-	2,307,820
Unassigned	13,051,711	-	-	13,051,711
Total Fund Balances	17,782,072	40,140,214	1,652,490	59,574,776
Total Liabilities and Fund Balances	\$ 20,152,778	\$ 45,240,133	\$ 1,678,084	\$ 67,070,995

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, 2011
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 59,574,776

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	276,820	
Buildings, net of depreciation	1,015,826	
Infrastructure, net of depreciation	2,476,048	
Land / right-of-way	844,162	
Construction in progress	1,508,946	
		6,121,802

Some of the state's assets are not current available resources and are not reported in the funds.

Net pension Asset (Note 7)	364	
Other post employment benefits asset (Note 7)	150	
Unamortized bond issuance cost	6,115	
		6,629

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)

374,931

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

284,120

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)

Claims and judgments, net of federal reimbursement	(74,790)	
Compensated absences	(157,803)	
Pollution remediation	(74,032)	
Capital lease obligations	(392,636)	
Pension benefit obligation	(1,541)	
Other post employment benefits	(641)	
		(701,443)

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	(1,117,769)	
Accrued interest payable	(16,836)	
		(1,134,605)

Net Assets of Governmental Activities \$ 64,526,210

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, 2011
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 5,358,324	\$ -	\$ 23,155	\$ 5,381,479
Licenses and Permits	117,310	-	30,021	147,331
Charges for Services	179,309	-	245	179,554
Fines and Forfeitures	11,574	-	293	11,867
Rents and Royalties	1,875,836	886,989	16,739	2,779,564
Premiums and Contributions	17,787	-	11,003	28,790
Interest and Investment Income	1,158,989	6,910,263	70,051	8,139,303
Federal Grants in Aid	2,407,903	-	35,054	2,442,957
Payments In from Component Units	42,866	-	-	42,866
Other Revenues	16,674	-	37,246	53,920
Total Revenues	<u>11,186,572</u>	<u>7,797,252</u>	<u>223,807</u>	<u>19,207,631</u>
EXPENDITURES				
Current:				
General Government	388,109	91,670	1,655	481,434
Alaska Permanent Fund Dividend	817,894	-	-	817,894
Education	1,798,577	-	36,848	1,835,425
University	436,112	-	13,136	449,248
Health and Human Services	2,423,401	-	4,573	2,427,974
Law and Justice	236,605	1,478	-	238,083
Public Protection	783,971	-	297	784,268
Natural Resources	267,631	5,297	106,223	379,151
Development	869,912	-	23,505	893,417
Transportation	1,086,107	-	17,548	1,103,655
Intergovernmental Revenue Sharing	189,796	-	-	189,796
Debt Service:				
Principal	7,174	-	40,055	47,229
Interest and Other Charges	1,811	-	42,390	44,201
Total Expenditures	<u>9,307,100</u>	<u>98,445</u>	<u>286,230</u>	<u>9,691,775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,879,472</u>	<u>7,698,807</u>	<u>(62,423)</u>	<u>9,515,856</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	200,000	200,000
Bonds Issued Premium	-	-	1,837	1,837
Capital Leases	8,212	-	-	8,212
Transfers In from Other Funds	818,077	-	459,364	1,277,441
Transfers (Out to) Other Funds	(459,825)	(813,404)	(14,873)	(1,288,102)
Total Other Financing Sources and Uses	<u>366,464</u>	<u>(813,404)</u>	<u>646,328</u>	<u>199,388</u>
Net Change in Fund Balances	2,245,936	6,885,403	583,905	9,715,244
Fund Balances - Beginning of Year	15,536,136	33,254,811	1,068,585	49,859,532
Fund Balances - End of Year	<u>\$ 17,782,072</u>	<u>\$ 40,140,214</u>	<u>\$ 1,652,490</u>	<u>\$ 59,574,776</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
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 9,715,244

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).

Capital outlay	479,941	
Depreciation expense	<u>(319,260)</u>	160,681

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		13,023
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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.

137,861

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	(201,837)	
Accrued interest	(1,521)	
Repayment of bond principal	41,306	
Amortization of bond issue costs	<u>504</u>	(161,548)

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.

(8,212)

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	447	
Compensated absences	(6,909)	
Pollution remediation	(20,716)	
Capital lease payments	25,661	
Pension obligation	(616)	
Other post employment benefits	<u>(723)</u>	(2,856)

Change in Net Assets of Governmental Activities \$ 9,854,193

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



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Proprietary Funds Financial Statements

Proprietary funds are used to account for the State's business-type activities. The two fund types classified as proprietary funds are enterprise funds and internal service funds.

MAJOR 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 major enterprise funds.

- **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, 2011
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 121,098	\$ 441,581	\$ 562,679	\$ 107,161
Accounts Receivable - Net	12,271	17,154	29,425	616
Interest and Dividends Receivable	-	6,161	6,161	-
Due from Other Funds	-	93	93	4,669
Due from Other Governments	2,181	2,774	4,955	-
Loans, Notes, and Bonds Receivable	-	26,927	26,927	-
Inventories	-	-	-	3,418
Other Current Assets	-	57	57	2,574
Total Current Assets	<u>135,550</u>	<u>494,747</u>	<u>630,297</u>	<u>118,438</u>
Noncurrent Assets:				
Interest and Dividends Receivable	-	16,282	16,282	-
Loans, Notes, and Bonds Receivable	-	368,040	368,040	-
Repossessed Property	-	637	637	-
Investment in Projects, Partnerships, or Corporations	-	3,777	3,777	-
Restricted Assets	140,173	-	140,173	-
Other Noncurrent Assets	10,197	2,888	13,085	-
Capital Assets:				
Equipment, Net of Depreciation	30,702	-	30,702	162,451
Buildings, Net of Depreciation	738,472	-	738,472	111,836
Infrastructure, Net of Depreciation	406,890	-	406,890	-
Land / Right-of-Way	29,738	-	29,738	-
Construction in Progress	15,404	45,191	60,595	7,296
Total Noncurrent Assets	<u>1,371,576</u>	<u>436,815</u>	<u>1,808,391</u>	<u>281,583</u>
Total Assets	<u>1,507,126</u>	<u>931,562</u>	<u>2,438,688</u>	<u>400,021</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,492	4,951	6,443	20,129
Due to Other Funds	64,566	2,832	67,398	1,566
Due to Other Governments	-	6,585	6,585	-
Interest Payable	7,012	-	7,012	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	3,486	291	3,777	2,433
Unearned and Deferred Revenue	4,249	-	4,249	-
Notes, Bonds, and Leases Payable	13,150	-	13,150	-
Other Current Liabilities	-	377	377	-
Total Current Liabilities	<u>93,955</u>	<u>15,036</u>	<u>108,991</u>	<u>24,128</u>
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	2,143	152	2,295	962
Notes, Bonds, and Leases Payable	580,447	-	580,447	-
Other Noncurrent Liabilities	327	-	327	-
Total Noncurrent Liabilities	<u>582,917</u>	<u>152</u>	<u>583,069</u>	<u>962</u>
Total Liabilities	<u>676,872</u>	<u>15,188</u>	<u>692,060</u>	<u>25,090</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	738,162	45,191	783,353	281,583
Restricted for:				
Unemployment Compensation	-	229,579	229,579	-
Health and Human Services	-	393,812	393,812	-
Debt Service	21,472	-	21,472	-
Other Purposes	25,412	217	25,629	-
Unrestricted	45,208	247,575	292,783	93,348
Total Net Assets	<u>\$ 830,254</u>	<u>\$ 916,374</u>	<u>\$ 1,746,628</u>	<u>\$ 374,931</u>

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, 2011
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ 190,321	\$ 190,321	\$ 97,664
Charges for Goods and Services	105,466	1,531	106,997	101,934
Interest and Investment Income	-	10,283	10,283	-
Allowance for Uncollectible Interest	-	1,426	1,426	-
Fines and Forfeitures	-	59	59	-
Federal Reimbursements	-	90,287	90,287	-
Other Operating Revenues	1,138	-	1,138	1,852
Total Operating Revenues	106,604	293,907	400,511	201,450
OPERATING EXPENSES				
Benefits	-	325,040	325,040	90,753
Operating	72,203	5,811	78,014	93,652
Depreciation	58,894	36	58,930	24,874
Provision for Loan Losses and Forgiveness	-	1,152	1,152	-
Total Operating Expenses	131,097	332,039	463,136	209,279
Operating Income (Loss)	(24,493)	(38,132)	(62,625)	(7,829)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	2,609	12,198	14,807	631
Interest and Investment Expense	(21,269)	(7)	(21,276)	(3)
Gain (Loss) on Disposal of Capital Assets	(95)	-	(95)	101
Other Nonoperating Revenues (Expenses)	1,622	2,162	3,784	296
Total Nonoperating Revenues (Expenses)	(17,133)	14,353	(2,780)	1,025
Income Before Capital Contributions and Transfers	(41,626)	(23,779)	(65,405)	(6,804)
Capital Contributions	34,515	13,737	48,252	6,852
Transfers In from Other Funds	2,243	39	2,282	12,975
Transfers (Out to) Other Funds	-	(972)	(972)	-
Change in Net Assets	(4,868)	(10,975)	(15,843)	13,023
Total Net Assets - Beginning of Year	835,122	927,349	1,762,471	361,908
Total Net Assets - End of Year	\$ 830,254	\$ 916,374	\$ 1,746,628	\$ 374,931

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, 2011
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise	Internal Service Funds
			Funds Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ -	\$ 90,601	\$ 90,601	\$ 111
Receipts from Customers	107,930	381	108,311	358
Receipts for Interfund Services Provided	-	201	201	107,544
Receipt of Principal from Loan Recipients	-	45,508	45,508	-
Receipt of Interest and Fees from Loan Recipients	-	15,992	15,992	-
Receipts from Insured	-	188,017	188,017	97,668
Payments to Employees	(41,982)	(4,725)	(46,707)	(32,634)
Payments to Suppliers	(30,127)	(476)	(30,603)	(61,399)
Payments to Loan Recipients	-	(58,197)	(58,197)	-
Claims Paid	-	(327,638)	(327,638)	(91,558)
Payments for Interfund Services Used	(2,740)	(396)	(3,136)	-
Other Receipts	25,145	271	25,416	2,086
Other Payments	-	(122)	(122)	(722)
Net Cash Provided (Used) by Operating Activities	58,226	(50,583)	7,643	21,454
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(1,179)	(1,179)	(389)
Operating Subsidies and Transfers In from Other Funds	2,243	206	2,449	12,139
Federal Grants	2,463	14,272	16,735	-
Proceeds from Issuance of Short-term Debt	-	5,193	5,193	-
Payments on Short-term Debt	-	(5,154)	(5,154)	-
Interest and Fees Paid on Borrowing	-	(5)	(5)	-
Net Cash Provided (Used) by Noncapital Financing Activities	4,706	13,333	18,039	11,750
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	532	532	-
Proceeds from Sale of Capital Assets	-	-	-	1,194
Acquisition and Construction of Capital Assets	(76,965)	(3,303)	(80,268)	(24,330)
Proceeds from Capital Debt	181,681	-	181,681	-
Principal Paid on Capital Debt	(158,701)	-	(158,701)	(325)
Interest and Fees Paid on Capital Debt	(23,414)	(427)	(23,841)	(3)
Federal Grants	42,364	3,343	45,707	-
Other Receipts (Payments)	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(35,035)	145	(34,890)	(23,464)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	27,496	21	27,517	-
Purchase of Investments	(24,887)	-	(24,887)	-
Interest and Dividends on Investments	3	12,177	12,180	631
Change in Restricted Cash and Investments	(26,026)	-	(26,026)	-
Net Cash Provided (Used) by Investing Activities	(23,414)	12,198	(11,216)	631
Net Increase (Decrease) in Cash	4,483	(24,907)	(20,424)	10,371
Cash and Cash Equivalents - Beginning of Year	14,401	466,488	480,889	96,790
Cash and Cash Equivalents - End of Year	\$ 18,884	\$ 441,581	\$ 460,465	\$ 107,161

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, 2011
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (24,493)	\$ (38,132)	\$ (62,625)	\$ (7,829)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	58,894	36	58,930	24,874
Other Reconciling Items	-	(143)	(143)	296
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	1,198	(2,841)	(1,643)	(488)
Due from Other Funds	-	753	753	6,094
Due from Other Governments	-	421	421	-
Loans, Notes, and Bonds Receivable - Net	-	(11,566)	(11,566)	-
Repossessed Property	-	36	36	-
Investment in Projects, Partnerships, or Corporations	-	2	2	-
Interest and Dividends Receivable - Net	-	3,120	3,120	-
Inventories	-	-	-	(72)
Other Assets	-	(209)	(209)	(680)
Due to Other Funds	22,404	23	22,427	780
Due to Other Governments	-	(1,561)	(1,561)	-
Accounts Payable and Accrued Liabilities	(174)	(313)	(487)	(1,757)
Other Liabilities	397	(209)	188	236
Net Cash Provided (Used) by Operating Activities	<u>\$ 58,226</u>	<u>\$ (50,583)</u>	<u>\$ 7,643</u>	<u>\$ 21,454</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 121,098	\$ 441,581	\$ 562,679	\$ 107,161
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(102,214)	-	(102,214)	-
Cash, End of Year	<u>\$ 18,884</u>	<u>\$ 441,581</u>	<u>\$ 460,465</u>	<u>\$ 107,161</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	-	811	811	6,930
Net Income (Loss) on Investment	-	183	183	-
Transfers (Out to) Other Funds (Accrual)	-	(175)	(175)	-
Transfers In from Other Funds (Accrual)	-	5	5	-



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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, 2011
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 226,739	\$ 174,371
Investments:		184,994
Short-Term Investments	51,889	
Commercial Paper	15,732	
U.S. Treasury	1,987,039	
U.S. Government Agency	56,913	
Foreign Corporate Bonds	79,536	
Foreign Government Bonds	275,635	
Mortgage-Backed	294,613	
Other Asset-Backed	8,181	
Corporate Bonds	506,264	
Yankees	89,175	
Mutual Funds	200,580	
Fixed Income Pool	500	
Domestic Equity Pool	4,816,388	
International Equity Pool	2,733,287	
Emerging Markets Pool	1,108,617	
Private Equity Pool	1,497,378	
Absolute Return Pool	719,706	
Real Assets	1,470,871	
Energy Pool	87,445	
Farmland Pool	559,409	
Timber Pool	190,849	
Participant-Directed	2,846,767	
Other Net Investments	184,475	
Investment Loss Trust Fund Assets	1,913	-
Accounts Receivable - Net	11,744	5
Contributions Receivable	44,126	-
Interest and Dividends Receivable	6	-
Due from Other Funds	22,686	1,858
Other Assets	4,209	-
Total Assets	<u>20,092,672</u>	<u>361,228</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	86,704	3,400
Trust Deposits Payable	-	354,112
Due to Other Funds	12,711	3,716
Total Liabilities	<u>99,415</u>	<u>361,228</u>
NET ASSETS		
Held in Trust for:		
Pension Benefits	9,812,225	-
Postemployment Healthcare Benefits	7,092,899	-
Individuals, Organizations, and Other Governments	3,088,133	-
Total Net Assets	<u>\$ 19,993,257</u>	<u>\$ -</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, 2011
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 621,859
Member	394,737
Other	359,822
Total Premiums and Contributions	<u>1,376,418</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	2,936,873
Interest	107,576
Dividends	263,149
Total Investment Income	<u>3,307,598</u>
Less Investment Expense	32,979
Net Investment Income	<u>3,274,619</u>
Other Additions	17,910
Total Additions	<u>4,668,947</u>
DEDUCTIONS	
Benefits Paid	1,475,358
Insurance Premiums	3,736
Refunds of Premiums and Contributions	22,682
Administrative Expenses	37,254
Total Deductions	<u>1,539,030</u>
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	1,422,118
Postemployment Healthcare Benefits	1,338,311
Individuals, Organizations, and Other Governments	369,488
Net Assets - Beginning of the Year	16,863,340
Net Assets - End of the Year	<u>\$ 19,993,257</u>

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



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Component Units

Financial Statements

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.

MAJOR COMPONENT UNITS

- **University of Alaska (U of A)** – AS 14.40.040 – is established as a corporation and is an instrumentality of the State. 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.
- **Alaska Housing Finance Corporation (AHFC)** – AS 18.56.020 – is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the State. The purpose of AHFC is to assist in providing decent, safe, and sanitary housing by financing mortgage loans.
- **Alaska Industrial Development and Export Authority (AIDEA)** – AS 44.88.020 – is a public corporation of the State and a political subdivision within the Department of Commerce, Community, and Economic Development. 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.

NONMAJOR COMPONENT UNITS

Nonmajor component units are presented in the Combining Fund Statements.





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STATE OF ALASKA
Statement of Net Assets
Component Units
June 30, 2011
(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	\$ 107,300	\$ 647,209	\$ 339,699	\$ 1,230,765	\$ 2,324,973
Accounts Receivable - Net	23,895	-	-	23,529	47,424
Interest and Dividends Receivable	307	13,305	5,053	18,664	37,329
Due from Primary Government	12,288	13,015	-	404,054	429,357
Due from Component Units	27	-	1,671	1,092	2,790
Due from Other Governments	37,696	-	2,849	15,576	56,121
Loans, Notes, and Bonds Receivable	15,569	2,759,511	479,526	764,293	4,018,899
Inventories	6,932	-	-	9,734	16,666
Repossessed Property	-	-	200	-	200
Net Investment in Direct Financing Leases	-	57,476	216,263	-	273,739
Securities Lending Collateral	-	-	-	36,477	36,477
Restricted Assets	307,776	788,309	109,642	684,634	1,890,361
Deferred Outflows	-	100,936	-	-	100,936
Other Assets	85,062	40,311	4,579	2,001	131,953
Capital Assets:					
Equipment, Net of Depreciation	104,705	615	35,827	189,107	330,254
Buildings, Net of Depreciation	628,374	105,461	12,313	40,745	786,893
Infrastructure, Net of Depreciation	34,843	-	29,193	790,254	854,290
Land / Right-of-Way	37,981	13,753	2,273	43,181	97,188
Construction in Progress	146,995	2,139	10,017	30,037	189,188
Total Assets	<u>1,549,750</u>	<u>4,542,040</u>	<u>1,249,105</u>	<u>4,284,143</u>	<u>11,625,038</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	63,437	14,204	5,033	64,038	146,712
Obligations Under Securities Lending	-	-	-	36,477	36,477
Due to Primary Government	-	4,393	495	89,172	94,060
Due to Component Units	-	-	-	1,759	1,759
Due to Other Governments	-	-	-	1,285	1,285
Interest Payable	-	12,688	3,355	18,205	34,248
Derivative Instruments	-	102,895	-	-	102,895
Other Current Liabilities	13,842	86,976	234	999	102,051
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences and Pollution Remediation	11,876	2,011	-	2,592	16,479
Unearned and Deferred Revenue	19,103	-	-	12,657	31,760
Notes, Bonds, and Leases Payable	6,958	183,095	10,720	117,715	318,488
Other Long-term Debt	-	-	-	3,497	3,497
Other Noncurrent Liabilities	-	793	-	-	793
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences and Pollution Remediation	-	2,802	-	1,478	4,280
Unearned and Deferred Revenue	7,920	-	8,046	451,206	467,172
Notes, Bonds, and Leases Payable	107,579	2,538,018	168,695	1,293,335	4,107,627
Other Long-term Debt	-	-	-	7,283	7,283
Other Noncurrent Liabilities	6,415	346	13,000	3,002	22,763
Total Liabilities	<u>237,130</u>	<u>2,948,221</u>	<u>209,578</u>	<u>2,104,700</u>	<u>5,499,629</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	835,564	121,968	89,623	397,567	1,444,722
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	390,747	390,747
Expendable	-	-	-	97,443	97,443
Education	322,052	-	-	119,154	441,206
Development	-	-	-	66,213	66,213
Debt Service	4,665	562,157	-	51,903	618,725
Other Purposes	-	21,982	1,340	24,139	47,461
Unrestricted	150,339	887,712	948,564	1,032,277	3,018,892
Total Net Assets	<u>\$ 1,312,620</u>	<u>\$ 1,593,819</u>	<u>\$ 1,039,527</u>	<u>\$ 2,179,443</u>	<u>\$ 6,125,409</u>

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, 2011
(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	\$ 805,706	\$ 182,439	\$ 238,810	\$ 40,901
Alaska Housing Finance Corporation	418,955	172,238	55,684	138,727
Alaska Industrial Development and Export Authority	50,981	43,425	294	9,707
Nonmajor Component Units	389,078	209,794	125,310	37,316
Total Component Units	\$ 1,664,720	\$ 607,896	\$ 420,098	\$ 226,651

General Revenues:
Interest and Investment Income (Loss)
Taxes
Payments In from Component Units
Payments In from Primary Government
Loss on Sale of Loans to Component Units
Other Revenues
Special Items:
Impairment of Capital Asset
Gain on Cancellation of Bonds
Gain on Sale of Asset
Total General Revenues and Special Items
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
\$ (343,556)	\$	\$	\$	\$ (343,556)
	(52,306)			(52,306)
		2,445		2,445
			(16,658)	(16,658)
<u>(343,556)</u>	<u>(52,306)</u>	<u>2,445</u>	<u>(16,658)</u>	<u>(410,075)</u>
47,385	16,630	14,671	101,619	180,305
-	-	-	7,513	7,513
-	-	9,743	-	9,743
445,156	-	486	450,114	895,756
-	-	-	(3,850)	(3,850)
4,899	2,416	-	22	7,337
-	-	-	(810)	(810)
-	-	-	4,734	4,734
-	3,088	-	-	3,088
<u>497,440</u>	<u>22,134</u>	<u>24,900</u>	<u>559,342</u>	<u>1,103,816</u>
153,884	(30,172)	27,345	542,684	693,741
1,158,736	1,623,991	1,012,182	1,635,487	5,430,396
-	-	-	1,272	1,272
<u>\$ 1,312,620</u>	<u>\$ 1,593,819</u>	<u>\$ 1,039,527</u>	<u>\$ 2,179,443</u>	<u>\$ 6,125,409</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, 2011**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

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

BLENDED COMPONENT UNITS

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

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

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The Legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the Fund are all present and future generations of Alaskans. The Fund represents 68 percent of the total cash and investments and 61 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 Comprehensive Annual Financial Report (CAFR) with the Nonmajor Enterprise Funds. Separately issued financial statements may be obtained from Knik Arm Bridge and Toll Authority, 550 W. 7th Avenue, Suite 1850, Anchorage, AK 99501.

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

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

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

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

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

The **Public Employees' Retirement System** (PERS) was established by Alaska Statute (AS) 39.35.095 (defined benefit) and AS 39.35.700 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of PERS. The administrator is responsible for the administration of PERS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. PERS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of PERS. The Governor appoints the majority of the ARMB.

The **Teachers' Retirement System** (TRS) was established by AS 14.25.009 (defined benefit) and AS 14.25.310 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of the system. The administrator is responsible for the administration of TRS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the TRS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the OAH. The ARMB approves employers' rates. TRS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. TRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of TRS. The Governor appoints the majority of the ARMB.

The **Judicial Retirement System** (JRS) was established by AS 22.25.048. The Commissioner of the Department of Administration is responsible for the administration of JRS. JRS costs, based upon actuarial valuations, are funded by the

State and participants. JRS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of JRS. The Governor appoints the majority of the ARMB.

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Corporation** (AAC) 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 AAC board of directors and the Legislature approves AAC's budget. AAC is also affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of AAC is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, to provide a unified direction for space-related economic growth, education and research development, and tourism related activities. AAC 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, AAC is to promote and encourage the continued utilization of Poker Flat Research Range for the University of Alaska's polar research efforts. AAC financial statements may be obtained from the Alaska Aerospace Corporation, 4300 B Street, Suite 101, Anchorage, AK 99503.

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

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

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

The **Alaska Housing Finance Corporation** (AHFC) is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the State (AS 18.56.020). The Governor appoints the board of directors of AHFC. The Legislature approves AHFC's budget. AHFC assists in providing decent, safe, and sanitary housing by financing mortgage loans. AHFC acts as the principal source of residential financing in

the State and functions as a secondary mortgage market. AHFC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

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

The **Alaska Mental Health Trust Authority (AMHTA)** is established as a public corporation of the State within the Department of Revenue (AS 47.30.011). The Governor appoints the AMHTA board of trustees. The Legislature approves AMHTA's budget. The purpose of AMHTA is to ensure an integrated comprehensive mental health program. As provided in AS 37.14.009, AMHTA is to administer the trust established under the Alaska Mental Health Enabling Act of 1956. AMHTA financial statements may be obtained from the Alaska Mental Health Trust Authority, 3745 Community Park Loop, Suite 200, 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, 1st Floor, Anchorage, AK 99501.

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

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

The **University of Alaska** is established as a corporation and is an instrumentality of the State (AS 14.40.040). A board of regents appointed by the Governor and confirmed by the Legislature governs the university. The Legislature approves the university's budget. The university is created and acts for the benefit of the State and the public in providing education in accordance with an express mandate of the constitution. The financial statements of the university include the assets, liabilities, and related activity of the University of Alaska Foundation, a legally separate nonprofit 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. ASMI financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units. In addition, fund financial statements are included as other supplementary information, since there are no separately issued financial statements for ASMI.

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 focus 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 fund statements: governmental; proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, and agency funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

Internal service funds are used to report any activity that provides goods or services primarily to other funds or agencies of the State, rather than to the general public. Internal service fund activities of the State include facilities management of State-owned buildings, self-insurance health care for State employees, vehicle and equipment maintenance and supplies, and computing and telecommunication services.

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. These funds account for the Alaska National Guard and Alaska Naval Militia Retirement System, Deferred Compensation, Judicial Retirement System, Public Employees' Retirement System, Retiree Health, Supplemental Benefits System, and Teachers' Retirement System.

Agency funds are used to report resources held by the State purely in a custodial capacity (assets equal liabilities). These funds include resources from unclaimed property, wage and hour, deposits/bonds held, offender trust accounts, advocacy/guardianship trusts, and damage recoveries arising out of the Exxon Valdez oil spill.

E. FISCAL YEAR ENDS

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

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the State and its component units. 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 sale price or based on a valuation provided by investment managers. The noninterest bearing deposits are reported at cost, which approximates fair value.

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 consist primarily of loans and preferred stock that are valued at fair value.

Real estate, farmland, farmland waterway, and timber investments are valued quarterly by investment managers and are appraised annually 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, 2011, 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 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, 2011, 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 \$161.2 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 12 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 COMPONENTS

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balance have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Alaska Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

Each fund has been analyzed to classify the fund balance in accordance with GASB Statement No. 54. Funds are created by the Legislature and money is authorized to be transferred to the fund for a particular purpose. At this point, balances in these funds are at least committed, and may be further restricted depending on whether there is an external party, constitutional provision, or enabling legislation constraint involved.

The appropriated balance in the General Fund (fund 11100) is committed, and the remaining balance is unassigned. All other governmental funds, including subfunds of the General Fund are presented as restricted or committed, with the exception of the three subfunds of the General Fund, which are unassigned. The spendable portion of the Alaska Permanent Fund is classified as assigned.

The State of Alaska Constitution, Article 9, Section 13, states that “No money shall be withdrawn from the treasury except in accordance with appropriations made by law. No obligation for the payment of money shall be incurred except as authorized by law. Unobligated appropriations outstanding at the end of the period of time specified by law shall be void.”

Appropriations formally approved by the Legislature are then forwarded to the Governor for action which either become law or vetoed.

Appropriations specify the funding source, and therefore the order in which restricted, committed, assigned, or unassigned fund balance gets spent.

Article 9, Section 17(d) of the Alaska Constitution, requires annual repayment from the General Fund and the subfunds of the General Fund for amounts borrowed from the Constitutional Budget Reserve Fund. To implement this provision, unassigned balances are used first, then committed balances. There are no assigned balances within the General Fund or subfunds.

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2011 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Compensating Balances	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Inventory	15,877	-	-	-	-
Principal	-	38,261,469	-	-	-
Advances and Prepaid Items	30,648	-	-	-	-
Total Nonspendable	<u>146,525</u>	<u>38,261,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted:					
Debt Service	1,994	-	-	45,798	-
Education	11,793	-	8,208	-	184,045
Health & Human Services	532	-	16,841	-	-
Development	114,982	-	37,049	-	113,970
Other Purposes	5,562	-	152	-	-
Total Restricted	<u>134,863</u>	<u>-</u>	<u>62,250</u>	<u>45,798</u>	<u>298,015</u>
Committed					
Debt Service	11,659	-	-	-	-
Education	1,405,688	11,249	-	-	-
Health & Human Services	151,654	-	-	-	-
Public Protection	150,496	-	-	-	-
Permanent Fund	808,295	-	-	-	-
Development	1,788,501	-	806,103	-	-
Other Purposes	132,680	-	-	-	-
Total Committed	<u>4,448,973</u>	<u>11,249</u>	<u>806,103</u>	<u>-</u>	<u>-</u>
Assigned					
Permanent Fund	-	2,307,820	-	-	-
Total Assigned	<u>-</u>	<u>2,307,820</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned					
	<u>13,051,711</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 17,782,072</u>	<u>\$ 40,580,538</u>	<u>\$ 868,353</u>	<u>\$ 45,798</u>	<u>\$ 298,015</u>

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 (\$37,832 million), \$429 million of the Public School Trust Fund restricted net assets, and \$391 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining \$11 million (three percent) of the Public School Trust Fund restricted net assets, and \$97 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 \$39.5 billion of restricted net assets for the primary government, of which \$23.3 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 over expenditure 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 11, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental appropriations for the FY 11 operating budget of \$179.0 million were enacted, of which \$88.8 was appropriated from the General Fund, \$19.0 million was appropriated from other funds, and \$71.2 million was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 11 capital budget of \$115.3 million were enacted, of which \$63.8 million was appropriated from the General Fund, \$51.5 million was appropriated from federal funds.

Governmental funds with annually approved budgets include the General Fund, Special Revenue Funds (with the exception of the Alaska Housing Capital Corporation, Northern Tobacco Securitization Corporation, and Reclamation Bonding Pool), and all Permanent Funds.

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 11, the Office of Management and Budget estimated the limit to be approximately \$9.0 billion. The FY 11 budget passed by the legislature

and after vetoes was \$7.6 billion (unrestricted General Fund revenues only), or \$1.4 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 CBRF (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).

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." All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

During FY 11 Alaska Natural Gas Development Authority (ANGDA) consulted with an outside party in order to develop criteria to determine which expenditures should be capitalized as well as determining their useful lives. Using the established criteria, ANGDA reevaluated the capital expenditures from FY 04 through FY 10 and capitalized an additional \$1,272 thousand. Below is the result of the right-of-way asset restatement:

	Beginning Balance	Prior Year Adjustment	Restated Beginning Balance	Additions	Deletions	Ending Balance
Land/Right-of-Way	\$ 6,514	\$ 1,272	\$ 7,786	\$ 688	\$ 810	\$ 7,664

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 counterparty 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 an investment in a single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment.

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

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

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

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

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

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. Specifically, the Tobacco Revenue Fixed Income, Domestic Equity, International Equity and the Emerging Income Plus Debt Pools are managed externally. Treasury manages the Short-term Fixed Income Pool, Non-interest Bearing Deposits, Intermediate-term Fixed Income Pool, U.S. Treasury Fixed Income Pool, and the Broad Market Fixed Income Pool, in addition to acting as oversight manager for all externally managed investments.

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, AK 99811-0405 or at <http://dor.alaska.gov/treasury/>.

Deposits and investments at June 30, 2011, are as follows:

Investment Type	Fair Value (in thousands)						Total
	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	U.S.		Other	
				Treasury Fixed Income Pool	Tobacco Revenue Fixed Income		
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,277	\$ 84,277
Overnight Sweep Account (LMCS)	65,255	-	-	-	-	-	65,255
Money Market	-	-	-	-	36,188	-	36,188
ACPE Note	-	-	-	-	-	67,500	67,500
AMBBA Note	-	-	-	-	-	6,000	6,000
Commercial Paper	546,880	25,033	-	-	-	-	571,913
Corporate Bonds	2,419,075	1,278,861	675,663	-	-	-	4,373,599
Mortgage-backed	112,309	252,933	1,202,240	-	-	-	1,567,482
Mutual Fund	-	-	-	-	-	1,419	1,419
Other Asset-backed	2,427,073	118,857	87,710	-	-	-	2,633,640
U.S. Government Agency							
Discount Notes	199,997	-	30,000	-	-	-	229,997
U.S. Government Agency	134,966	333,862	121,353	-	-	-	590,181
U.S. Treasury Bills	1,143,412	-	-	-	-	-	1,143,412
U.S. Treasury Bonds	-	-	75,835	-	-	-	75,835
U.S. Treasury Notes	-	4,994,584	937,067	108,000	-	-	6,039,651
U.S. Treasury Strips	-	4,573	-	-	-	-	4,573
Yankees:							
Corporate	47,756	56,588	160,354	-	-	-	264,698
Government	-	211,784	32,979	-	-	-	244,763
Domestic Equity	-	-	-	-	-	2,942,403	2,942,403
International Equity	-	-	-	-	-	859,003	859,003
Total Invested Assets	7,096,723	7,277,075	3,323,201	108,000	36,188	3,960,602	21,801,789
Pool related net assets (liabilities)	3,482	126,126	(480,621)	135	-	35	(350,843)
Net Invested Assets before earnings distribution to participants	7,100,205	7,403,201	2,842,580	108,135	36,188	3,960,637	21,450,946
Earnings payable to participants	(427)	-	-	-	-	-	(427)
Other pool ownership	(1,105,800)	635,153	470,485	162	-	-	-
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(292,598)	-	-	-	-	-	(292,598)
Exxon Valdez Oil Spill Trustee Council	(1)	-	(56,853)	-	-	(128,140)	(184,994)
University of Alaska Alaska Student Loan Corporation	-	(2,230)	-	-	-	-	(2,230)
Alaska Mental Health Trust Authority	(4,157)	-	(11,976)	-	-	(25,964)	(42,097)
Total Invested Assets	\$ 5,697,222	\$ 8,036,124	\$ 3,244,236	\$ 108,297	\$ 36,188	\$ 3,744,348	\$ 20,866,415

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 to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2011, the expected average life of individual fixed rate securities ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

Intermediate-term and Broad Market and Conservative Broad Market Fixed Income Pools

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.

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, 2011 was 2.54 years.

Broad Market Fixed Income Pool - $\pm 20\%$ of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2011 was 5.19 years.

U.S. Treasury Fixed Income Pool - $\pm 20\%$ of the Barclays Capital U.S. Intermediate Aggregate Treasury Index. The effective duration for the Barclays Capital U.S. Intermediate Aggregate Treasury Index at June 30, 2011, was 3.94 years.

At June 30, 2011, 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 Fixed Income Pool
Commercial Paper	0.05	-	-
Corporate Bonds	2.01	5.93	-
Mortgage-backed	1.52	3.25	-
Other Asset-backed	1.08	0.97	-
U.S. Treasury Bonds	-	14.64	-
U.S. Treasury Notes	3.09	4.74	3.89
U.S. Treasury Strip	6.37	-	-
U.S. Government Agency	2.65	5.74	-
U.S. Government Agency Discount Notes	-	0.01	-
Yankees:			
Corporate	2.28	-	-
Government	1.92	6.38	-
Portfolio Effective Duration	2.53	4.46	3.89

Other Fixed Income

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

Credit Risk

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

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 P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: 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.

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 P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: 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.

In the U.S. Treasury Fixed Income Pool commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's Corporation. In addition, corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's, and Fitch. In addition, 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.

The Commissioner does not have policies with regard to credit risk in the SSgA Russell 3000 and SSgA MSCI EAFE Index Common Trust Funds (Trusts).

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2011, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2011, the State's internally managed 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	Rating	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	U.S. Treasury Pool
Commercial Paper	A-1	6.95%	-	-	-
Commercial Paper	Not Rated	0.75%	0.31%	-	-
Corporate Bonds	AAA	23.65%	10.25%	1.88%	-
Corporate Bonds	AA	1.45%	1.07%	2.71%	-
Corporate Bonds	A	3.20%	3.20%	9.37%	-
Corporate Bonds	BBB	-	1.39%	6.38%	-
Corporate Bonds	Not Rated	5.78%	-	0.04%	-
Mortgage-backed	AAA	1.58%	2.79%	18.90%	-
Mortgage-backed	AA	-	0.06%	0.75%	-
Mortgage-backed	A	-	0.02%	0.57%	-
Mortgage-backed	BBB	-	-	0.02%	-
Mortgage-backed	CCC	-	-	0.04%	-
Mortgage-backed	Not Rated	-	0.28%	16.01%	-
Other Asset-backed	AAA	30.49%	1.32%	2.36%	-
Other Asset-backed	A	0.07%	-	-	-
Other Asset-backed	CCC	-	0.02%	-	-
Other Asset-backed	Not Rated	3.62%	-	0.29%	-
U.S. Treasury Bills	AAA	16.10%	-	2.29%	-
U.S. Treasury Notes	AAA	-	62.13%	28.31%	99.73%
U.S. Government Agency	AAA	1.90%	3.47%	3.66%	-
U.S. Government Agency Discount Notes	Not Rated	2.82%	0.69%	0.91%	-
U.S. Government Agency	A	-	-	-	-
U.S. Government Agency	Not Rated	-	-	-	-
U.S. Treasury Strip	AAA	-	0.06%	-	-
Yankees:					
Corporate	AAA	-	0.98%	1.09%	-
Corporate	AA	0.49%	1.02%	0.71%	-
Corporate	A	0.11%	0.40%	1.73%	-
Corporate	BBB	-	0.23%	1.09%	-
Corporate	Not Rated	0.07%	-	0.21%	-
Government	AA	-	0.65%	0.50%	-
Government	A	-	0.01%	0.15%	-
Government	BBB	-	-	0.34%	-
Government	Not Rated	-	0.05%	-	-
No Credit Exposure		0.97%	9.60%	-0.31%	0.27%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

The Commissioner does not have a policy in relation to custodial credit risk for deposits; however, any uninvested U.S. cash held in accounts is fully insured by the Federal Deposit Insurance Corporation (FDIC) under section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act effective December 31, 2010. This section of the Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012, at all FDIC insured depository institutions thereby limiting custodial credit risk.

For interest-bearing accounts, 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, do not establish policy with regard to custodial credit risk. At June 30, 2011, the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	\$ 351

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 backed by any one company or affiliated group.

At June 30, 2011, the funds invested in the Broad Market Fixed Income Pool had more than five percent of their investments in Federal National Mortgage Association as follows:

	Fair Value (in thousands)	Percent of Total Pool Investments
Broad Market Fixed Income Pool		
Federal National Mortgage Association	\$ 888,961	27%

Federal National Mortgage Association securities are not classified as corporate bonds, are backed by the full faith and credit of the U.S. Government and therefore may be held in higher concentration.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 11 and invested assets included the following holdings at June 30, 2011, for the funds invested in the International Equity Pool:

	Policy	Actual
Alaska Children's Trust Fund	11% ± 5%	15%
Constitutional Budget Reserve Fund, Subaccount	9% ± 5%	14%
Exxon Valdez Settlement Investments	23% ± 5%	23%
Mental Health Trust Reserve	21% ± 5%	21%
Power Cost Equalization Endowment Fund	10% ± 5%	15%
Retiree Health Insurance Fund, Long Term Care	9% ± 5%	9%

At June 30, 2011, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

Currency	Fair Value (in thousands)
Deposits:	
Danish Krone	\$ 11
Euro Currency	38
Japanese Yen	301
	<u>350</u>
Investments - International Equity:	
Australian Dollar	7,142
Canadian Dollar	3,592
Euro Currency	52,037
Hong Kong Dollar	2,237
Japanese Yen	37,885
New Zeland Dollar	2,520
Norwegian Krone	1,556
Pound Sterling	53,478
Swedish Krona	4,142
Swiss Franc	11,093
	<u>175,682</u>
Total	<u>\$ 176,032</u>

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

The Commissioner is exposed to credit risk on investment derivative instruments that are in asset positions. The Commissioner has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Commissioner has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Commissioner have a policy for contingencies. The International Equity Pool investment includes the following income from derivative investments at June 30, 2011 (in thousands):

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Revenue	\$ (54)	Long-term Instruments	\$ -	\$ -
Rights	Investment Revenue	46	Common Stock	-	-

Additionally the International Equity Pool had the following income from foreign exchange transactions at June 20, 2011 (in thousands):

Net Realized Gain on Foreign Currency	\$ 3,714
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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 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. At June 30, 2011, the International Equity Pool had no outstanding contracts.

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

The ARMB has statutory responsibility (AS 37.10.210-390) for the pension (and other employee benefit) trust funds' investments (Pension Funds). Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

The Department of Revenue, Treasury Division (Treasury) provides staff for the ARMB. Treasury has created a pooled environment by which it manages investments of the ARMB. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the Defined Contribution Retirement Participant Directed Pension Plan under the ARMB's fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Large Cap Domestic Equity Pool, Small Cap Domestic Equity Pool, Convertible Bond Domestic Equity Pool, International Equity Large Cap Pool, International Equity Small Cap Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Participant Directed Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities Pool 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 State pool managed by Treasury that holds investments on behalf of the ARMB as well as other state funds.

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

Deposits and investments at June 30, 2011 are as follows:

	Fair Value (in thousands)				
	Fixed Income Pools				
	Short-term	Retirement	U.S. Treasury	High Yield	International
Bridge Loans	\$ -	\$ -	\$ -	\$ 590	\$ -
Commercial Paper	21,841	-	15,506	-	-
Convertible Bonds	-	-	-	4,873	-
Corporate Bonds	96,613	-	62,458	349,275	-
Deposits	-	-	-	-	1,712
Foreign Corporate Bonds	-	-	-	-	79,536
Foreign Government Bonds	-	-	-	-	275,635
Mortgage-backed	4,485	21,214	59,006	-	-
Mutual Funds	-	-	-	-	-
Other Asset-backed	96,932	-	342	-	-
Overnight Sweep Account (LMCS)	2,606	-	-	19,049	-
Short-term Investment Fund	-	-	-	-	3,297
U.S. Government Agency	5,390	-	14,312	-	-
U.S. Government Agency Discount Notes	7,988	-	-	-	-
U.S. Treasury Bills	45,666	-	-	-	-
U.S. Treasury Bonds	-	-	122,939	-	-
U.S. Treasury Notes	-	-	1,472,922	-	10,689
Yankees:					
Corporate	1,907	-	26,171	27,161	-
Government	-	-	1,530	-	-
Fixed Income Pools:					
Equity	-	-	-	466	-
Warrants	-	-	-	35	-
Emerging Markets Debt Pool	-	-	-	-	-
Broad Domestic Equity Pools:					
Convertible Bonds	-	-	-	-	-
Deposits	-	-	-	-	-
Equity	-	-	-	-	-
Limited Partnership	-	-	-	-	-
Mutual Fund	-	-	-	-	-
Options	-	-	-	-	-
Rights	-	-	-	-	-
U.S. Treasury Bills	-	-	-	-	-
Broad International Equity Pool:					
Deposits	-	-	-	-	-
Equity	-	-	-	-	-
Rights	-	-	-	-	-
Emerging Markets Equity Pool	-	-	-	-	-
Private Equity Pool:					
Limited Partnerships	-	-	-	-	-
Absolute Return Pool:					
Limited Partnerships	-	-	-	-	-
Real Estate Pool:					
Commingled Funds	-	-	-	-	-
Limited Partnerships	-	-	-	-	-
Real Estate	-	-	-	-	-
Real Estate Investment Trust Pool:					
Equity	-	-	-	-	-
Energy Pool:					
Limited Partnerships	-	-	-	-	-
Farmland Pool:					
Agricultural Holdings	-	-	-	-	-
Farmland Water Pool:					
Agricultural Holdings	-	-	-	-	-
Timber Pool:					
Timber Holdings	-	-	-	-	-
Participant Directed:					
Collective Investment Funds	-	-	-	-	-
Pooled Investment Funds	-	-	-	-	-
Net Other Assets/(Liabilities)	131	174	(3,256)	4,700	5,594
Other Pool Ownership	(160,099)	19,113	24,327	-	-
Total Invested Assets	\$ 123,460	\$ 40,501	\$ 1,796,257	\$ 406,149	\$ 376,463

This table continued on the next page.

Deposits and investments at June 30, 2011 are as follows (continued):

	Fair Value (in thousands)			
	Fixed Income Pools		Other	Total
	Convertible	TIPS		
Bridge Loans	\$ -	\$ -	\$ -	\$ 590
Commercial Paper	-	-	-	37,347
Convertible Bonds	-	-	-	4,873
Corporate Bonds	-	-	-	508,346
Deposits	-	-	-	1,712
Foreign Corporate Bonds	-	-	-	79,536
Foreign Government Bonds	-	-	-	275,635
Mortgage-backed	-	-	-	84,705
Mutual Funds	-	-	200,580	200,580
Other Asset-backed	-	-	-	97,274
Overnight Sweep Account (LMCS)	322	-	-	21,977
Short-term Investment Fund	-	-	20,656	23,953
U.S. Government Agency	-	-	-	19,702
U.S. Government Agency Discount Notes	-	-	-	7,988
U.S. Treasury Bills	-	-	-	45,666
U.S. Treasury Bonds	-	66,146	-	189,085
U.S. Treasury Notes	-	125,256	-	1,608,867
Yankees:				
Corporate	-	-	-	55,239
Government	-	-	-	1,530
Fixed Income Pools:				
Equity	-	-	-	466
Warrants	-	-	-	35
Emerging Markets Debt Pool	-	-	128,388	128,388
Broad Domestic Equity Pools:				
Convertible Bonds	82,732	-	-	82,732
Deposits	-	-	24,459	24,459
Equity	10,556	-	4,295,059	4,305,615
Limited Partnerships	-	-	326,161	326,161
Mutual Fund	-	-	60,456	60,456
Options	-	-	(29,317)	(29,317)
Rights	-	-	1	1
U.S. Treasury Bills	-	-	4,594	4,594
Broad International Equity Pool:				
Deposits	-	-	34,586	34,586
Equity	-	-	2,676,067	2,676,067
Rights	-	-	188	188
Emerging Markets Equity Pool	-	-	980,228	980,228
Private Equity Pool:				
Limited Partnerships	-	-	1,497,378	1,497,378
Absolute Return Pool:				
Limited Partnerships	-	-	719,706	719,706
Real Estate Pool:				
Commingled Funds	-	-	259,116	259,116
Limited Partnerships	-	-	359,494	359,494
Real Estate	-	-	687,332	687,332
Real Estate Investment Trust Pool:				
Equity	-	-	164,928	164,928
Energy Pool:				
Limited Partnerships	-	-	87,445	87,445
Farmland Pool:				
Agricultural Holdings	-	-	531,654	531,654
Farmland Water Pool:				
Agricultural Holdings	-	-	27,754	27,754
Timber Pool:				
Timber Holdings	-	-	190,849	190,849
Participant Directed:				
Collective Investment Funds	-	-	178,483	178,483
Pooled Investment Funds	-	-	73,127	73,127
Net Other Assets/(Liabilities)	513	1,301	10,477	19,634
Other Pool Ownership	-	491	116,168	-
Total Invested Assets	\$ 94,123	\$ 193,194	\$ 13,626,017	\$ 16,656,164

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 to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2011, the expected average life of individual fixed rate securities ranged from one day to one year and the expected average life of floating rate securities ranged from eight days to fourteen years.

Other Defined Benefit Fixed Income Pools

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 to calculate effective duration.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20 percent of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2011 was 5.19 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Intermediate U.S. Treasury Fixed Income to ± 20 percent of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2011 was 3.94 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield Fixed Income portfolio to ± 20 percent of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index Constrained Index at June 30, 2011 was 4.52 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to ± 25 percent of the Citigroup Non-USD World Government Bond Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2011 was 6.97 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to ± 20 percent of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2011 was 5.31 years.

The ARMB does not have a policy to limit interest rate risk for the Emerging Debt or Convertible Bond portfolios.

At June 30, 2011, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	Retirement	U.S. Treasury	High Yield	International	TIPS
Corporate Bonds	-	4.18	4.66	-	-
Convertible Bonds	-	-	0.30	-	-
Equity			7.49	-	
Foreign Corporate Bonds	-	-	-	1.30	-
Foreign Government Bonds	-	-	-	3.98	-
Mortgage-backed	2.72	2.32	-	-	-
Other Asset-backed	-	1.98	-	-	-
U.S. Treasury Bonds	-	7.61	-	-	9.49
U.S. Treasury Notes	-	3.67	-	5.86	2.92
U.S. Government Agency	-	7.71	-	-	-
Yankees:					
Corporate	-	3.27	4.42	-	-
Government	-	(4.69)	-	-	-
Portfolio Effective Duration	1.43	3.86	4.37	3.40	5.18

Defined Contribution Pooled Investment Funds

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

Under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital U.S. Aggregate Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event, at time of purchase shall effective duration exceed ± 0.4 years relative to the index.

At June 30, 2011, the duration of the government corporate debt, and mortgage-backed securities was 5.12 years and the duration of the Barclays Capital Aggregate Bond Index was 5.19 years.

Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year.

Defined Contribution Collective Investment Funds

The ARMB does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2011, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 0.05 years, SSgA World Government Bond Ex-US Index: 6.76 years, SSgA Long US Treasury Bond Index: 14.46 years, SSgA TIPS Index: 4.69 years, Barclays Gov/Corp Bond Fund: 7.73 years, and the Barclays Intermediate Bond Fund: 3.98 years.

Credit Risk

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

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 P1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if rated by only one of these agencies if they are rated AAA.

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

Retirement Fixed Income:

- Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.
- 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, 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.
- No more than 40 percent of the portfolio's assets may be invested in investment grade corporate debt.
- No more than 15 percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's Corporation or the equivalent by Moody's or Fitch.

U.S. Treasury Fixed Income:

- No more than 10 percent of the portfolio's assets may be invested in securities that are not nominal, United States Treasury obligations or the internally managed short term or substantially similar portfolio at the time of purchase.
- Corporate, asset-backed, and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, 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.

High Yield Fixed Income:

- 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.
- No more than 10 percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

The lower of any Standard & Poor's, 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.

International Fixed Income:

- Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
- Commercial paper and Euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

Convertible Bond:

- Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard & Poor's, Moody's, or Fitch. Non-rated securities are limited to 35 percent of the total market value of the portfolio.
- The weighted-average rating of the portfolio shall not fall below the Standard & Poor's equivalent of B.
- Investments are limited to instruments with a credit rating above CCC- by Standard & Poor's and Caa3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard & Poor's and Caa3 by Moody's if such an investment is considered appropriate given the ARMB's investment objective.
- In the case of a split rating by two or more of the rating agencies, the lower rating shall apply.

TIPS:

- Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.
- No more than five percent of the portfolio's assets may be invested in investment grade corporate debt.
- No more than five percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
- Corporate, asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, 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.

Domestic Equity (Large Cap and Small Cap) and Broad International Equity:

Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's, or Fitch rating services.

Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The ARMB does not have a policy to limit the concentration of credit risk for the Emerging Markets Debt Pool or the Collective Investment Funds.

At June 30, 2011, ARMB's 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	Fixed Income Pools						TIPS
		Short-term	Retirement	U.S. Treasury	High Yield	International	Convertible	
Bank Loans	Not Rated	-	-	-	0.15%	-	-	-
Commercial Paper	A-1	6.95%	-	-	-	-	-	-
Commercial Paper	Not Rated	0.75%	-	-	-	-	-	-
Convertible Bonds	AA	-	-	-	-	-	0.93%	-
Convertible Bonds	A	-	-	-	-	-	9.89%	-
Convertible Bonds	BBB	-	-	-	-	-	14.79%	-
Convertible Bonds	BB	-	-	-	-	-	19.72%	-
Convertible Bonds	B	-	-	-	0.76%	-	13.80%	-
Convertible Bonds	CCC	-	-	-	-	-	5.73%	-
Convertible Bonds	Not Rated	-	-	-	0.44%	-	23.03%	-
Corporate Bonds	AAA	23.65%	-	-	-	-	-	-
Corporate Bonds	AA	1.45%	-	0.70%	-	-	-	-
Corporate Bonds	A	3.20%	-	1.39%	-	-	-	-
Corporate Bonds	BBB	-	-	0.95%	3.51%	-	-	-
Corporate Bonds	BB	-	-	-	33.36%	-	-	-
Corporate Bonds	B	-	-	-	39.72%	-	-	-
Corporate Bonds	CCC	-	-	-	5.74%	-	-	-
Corporate Bonds	CC	-	-	-	0.17%	-	-	-
Corporate Bonds	Not Rated	5.78%	-	-	3.51%	-	-	-
Equity	A	-	-	-	-	-	1.94%	-
Equity	BBB	-	-	-	0.11%	-	-	-
Equity	BB	-	-	-	-	-	6.16%	-
Equity	CCC	-	-	-	-	-	3.11%	-
Foreign Corporate Bonds	AAA	-	-	-	-	17.87%	-	-
Foreign Corporate Bonds	A	-	-	-	-	2.52%	-	-
Foreign Corporate Bonds	BBB	-	-	-	-	0.74%	-	-
Foreign Government Bonds	AA	-	-	-	-	4.12%	-	-
Foreign Government Bonds	A	-	-	-	-	18.74%	-	-
Foreign Government Bonds	BBB	-	-	-	-	5.85%	-	-
Foreign Government Bonds	Not Rated	-	-	-	-	44.51%	-	-
Mortgage-backed	AAA	1.58%	37.74%	3.56%	-	-	-	-
Mortgage-backed	AA	-	1.41%	0.08%	-	-	-	-
Mortgage-backed	A	-	4.42%	0.10%	-	-	-	-
Mortgage-backed	CCC	-	5.26%	-	-	-	-	-
Mortgage-backed	Not Rated	-	3.55%	0.85%	-	-	-	-
Other Asset-backed	AAA	30.49%	-	-	-	-	-	-
Other Asset-backed	A	0.07%	-	-	-	-	-	-
Other Asset-backed	Not Rated	3.62%	-	0.02%	-	-	-	-
Short-Term Investment Fund	Not Rated	-	-	-	4.69%	0.88%	0.34%	-
U.S. Treasury Bills	AAA	16.10%	-	-	-	-	-	-
U.S. Treasury Bonds	AAA	-	-	6.84%	-	-	-	34.24%
U.S. Treasury Notes	AAA	-	-	82.00%	-	2.84%	-	64.83%
U.S. Government Agency	AAA	1.90%	-	-	-	-	-	-
U.S. Government Agency	Not Rated	-	-	0.80%	-	-	-	-
U.S. Government Agency Discount Notes	Not Rated	2.82%	-	-	-	-	-	-
Yankees:								
Government	Not Rated	-	-	0.09%	-	-	-	-
Corporate	AA	0.49%	-	0.56%	-	-	-	-
Corporate	A	0.11%	-	0.50%	-	-	-	-
Corporate	BBB	-	-	0.23%	0.36%	-	-	-
Corporate	BB	-	-	-	2.60%	-	-	-
Corporate	B	-	-	-	3.22%	-	-	-
Corporate	Not Rated	0.07%	-	0.16%	0.50%	-	-	-
No Credit Exposure		0.97%	47.62%	1.17%	1.16%	1.93%	0.56%	0.93%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits; however, any uninvested U.S. Cash held in accounts is fully insured by the Federal Deposit Insurance Corporation (FDIC) under section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act effective December 31, 2010. This section of the Act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012, at all FDIC insured depository institutions thereby limiting custodial credit risk.

At June 30, 2011, the ARMB’s invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Equity Pool	\$ 34,528
International Fixed Income Pool	<u>1,712</u>
	<u>\$ 36,240</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk for the Short-term Fixed Income Pool is to prohibit the purchase of more than five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group. This provision does not apply to securities backed by the full faith and credit of the United States Government.

The ARMB’s policy with regard to concentration of credit risk for the Retirement Fixed Income, U.S. Treasury Fixed Income, High Yield Fixed Income, International Fixed Income and Convertible Bond Pools is to prohibit the purchase of more than five percent of the portfolio’s assets in corporate bonds of any one company or affiliated group. The ARMB does not have a policy with regard to concentration of credit risk for the Emerging Markets Debt or TIPS Pools.

At June 30, 2011, the ARMB’s invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

Foreign Currency Risk

The 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: Argentina, Australia, Brazil, Canada, Chile, China, Columbia, Czech Republic, Denmark, Egypt, Eurozone sovereign issuers in the aggregate, Hungary, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Poland, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. The ARMB has no specific policy with regard to foreign currency risk relating to international or private equity. However, through its asset allocation policy, the ARMB limits total investments in international fixed income, global equity ex-U.S. and private equity to the following:

<u>Pension Fund</u>	<u>Fixed - Income</u>	<u>Global Equity Ex- U.S.</u>	<u>Private Equity Pool</u>
Public Employees' Retirement System	22%	27%	12%
Teachers' Retirement System	22%	27%	12%
Judicial Retirement System	22%	27%	12%
Alaska National Guard and Naval Militia System	-	20%	-

The ARMB has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds.

At June 30, 2011, the ARMB had exposure to foreign currency risk with the following deposits:

Currency	Amount (in thousands)	
	International Fixed Income Pool	International Equity Pool
Australian Dollar	\$ -	\$ 446
Brazilian Real	-	5
Canadian Dollar	-	262
Danish Krone	-	270
Euro Currency	46	26,133
Hong Kong Dollar	-	511
Hungarian Forint	270	-
Israeli Shekel	-	16
Japanese Yen	215	4,596
Mexican Peso	924	-
New Taiwan Dollar	-	920
New Zealand Dollar	-	12
Norwegian Krone	-	76
Pound Sterling	-	772
Singapore Dollar	-	46
South African Rand	222	-
Swedish Krona	-	274
Swiss Franc	-	189
Thailand Baht	35	-
	<u>\$ 1,712</u>	<u>\$ 34,528</u>

At June 30, 2011, the ARMB had exposure to foreign currency risk with the following investments (in thousands):

Currency	Amount (in thousands)			
	International Fixed Income Pool		International Equity Pool	Private Equity Pool
	Foreign		Equity	Limited Partnerships
	Government	Corporate		
Australian Dollar	\$ -	\$ -	\$ 79,531	\$ -
Brazilian Real	16,637	-	8,652	-
Canadian Dollar	-	-	91,194	-
Chilean Peso	2,088	-	-	-
Columbian Peso	7,561	-	-	-
Czech Koruna	2,144	-	1,160	-
Danish Krone	-	-	20,300	-
Euro Currency	91,955	12,273	804,747	172,391
Hong Kong Dollar	-	-	92,332	-
Hungarian Forint	9,075	-	-	-
Indian Rupee	-	-	4,539	-
Indonesian Rupiah	-	-	2,108	-
Israeli Shekel	-	-	2,566	-
Japanese Yen	39,552	67,263	547,832	-
Malaysian Ringgit	7,514	-	4,515	-
Mexican Peso	24,287	-	671	-
New Taiwan Dollar	-	-	9,113	-
New Zealand Dollar	-	-	12,847	-
Norwegian Krone	-	-	20,161	-
Peruvian Nuevo Sol	5,392	-	-	-
Polish Zloty	30,058	-	7,752	-
Pound Sterling	18,172	-	510,391	27,839
Singapore Dollar	-	-	28,528	-
South African Rand	10,226	-	4,613	-
South Korean Won	-	-	46,912	-
Swedish Krona	-	-	49,608	-
Swiss Franc	-	-	165,944	-
Thailand Baht	2,909	-	4,959	-
Turkish Lira	8,065	-	-	-
	<u>\$ 275,635</u>	<u>\$ 79,536</u>	<u>\$ 2,520,975</u>	<u>\$ 200,230</u>

At June 30, 2011, the ARMB also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled investment funds; therefore, no disclosure of specific currencies is made.

Foreign Exchange, Derivative, and Counterparty Credit Risk

The ARMB is exposed to credit risk on investment derivative instruments that are in asset positions. The ARMB has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the ARMB has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the ARMB have a policy for contingencies.

On June 30, 2011, the ARMB had the following derivative instruments outstanding (in thousands):

Type	Change in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Equity Options Written	Investment Revenue	\$ 2,323	Options	\$ (29,291)	\$ (4,998)
FX Forwards	Investment Revenue	(1,773)	Long Term Instruments	(74)	14,181
Index Futures Long	Investment Revenue	14,372	Futures	-	63
Index Options Written	Investment Revenue	305	Options	(26)	(6)
Rights	Investment Revenue	500	Common Stock	23	108
Warrants	Investment Revenue	(27)	Common Stock	35	39
		<u>\$ 15,700</u>		<u>\$ (29,333)</u>	<u>\$ 9,387</u>

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 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.

At June 30, 2011 the ARMB had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Percent of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
UBS AG	0%	A+	A+	Aa3
				Amount (in thousands)
Maximum Amount of Loss ARMB Would Face in Case of Default of All Counterparties, i.e. Aggregated (Positive) Fair Value of OTC positions as of June 30, 2011				\$ 25
Effect of Collateral Reducing Maximum Exposure				-
Liabilities Subject to Netting Arrangements Reducing Exposure				-
Resulting Net Exposure				<u>\$ 25</u>

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, 2010, Deferred Compensation Plan investments totaled \$580 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, AK 99811-0203 or at <http://doa.alaska.gov/dr/b/>.

Interest Rate Risk

Collective Investment and Money Market Funds

The 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.

The 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, 2010, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Bond Fund	\$ 122	4.43 years
Government/Credit Bond Index Fund	30,445	7.53 years
Institutional Treasury Money Market Fund	5,622	45 days
Intermediate Bond Fund	16,768	4.04 years
Long U.S. Treasury Bond Index Fund	1,708	13.97 years
U.S. TIPS Index Fund	6,157	7.91 years
World Government Bond ex-U.S. Index Fund	1,227	6.83 years

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 the 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 Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.58 years at December 31, 2010. The duration of the Barclays Capital Intermediate Aggregate Index was 4.0 years at December 31, 2010.

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.

The 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 Institutional Treasury Money Market Fund, which has a weighted average maturity of 45 days at December 31, 2010.

Pooled Investment Funds

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.

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate 13 participant directed funds. Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

For government and corporate debt securities, duration is limited to ± 0.2 years of the Barclays Aggregate Bond Index. At December 31, 2010, the duration of the Barclays Aggregate Bond Index was 4.98 years, and the duration of the Aggregate Bond Trust was 4.89 years.

The weighted average maturity of the money market portfolio was 12.52 days at December 31, 2010.

The 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

The 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 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,
- 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.

The 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,
- Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation, and
- Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At December 31, 2010, Deferred Compensation Plan's investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Value (in thousands)		
		Underlying Synthetic Investment Contracts	Other	Total
Investments with credit exposure:				
Money Market Fund	Not Rated	\$ -	\$ 422	\$ 422
Short-term Investment Fund	Not Rated	2,637	-	2,637
U.S. Government Agency	AAA	13,488	-	13,488
Mortgage-backed	AAA	5,461	-	5,461
Mortgage-backed	AA	351	-	351
Mortgage-backed	A	765	-	765
Mortgage-backed	BBB	277	-	277
Mortgage-backed	Not Rated	60,831	-	60,831
Other Asset-backed	AAA	1,153	-	1,153
Corporate Bonds	AA	4,038	-	4,038
Corporate Bonds	A	11,965	-	11,965
Corporate Bonds	BBB	8,501	-	8,501
Yankees:				
Corporate	AA	842	-	842
Corporate	A	1,962	-	1,962
Corporate	BBB	1,962	-	1,962
Government	AAA	3,554	-	3,554
Government	AA	820	-	820
Government	A	290	-	290
Government	BBB	269	-	269
Government	Not Rated	423	-	423
Deposits and Investments with no credit exposure:				
Deposits		(1,967)	-	(1,967)
U.S. Treasury Notes	AAA	46,147	-	46,147
Collective Investment Funds		-	291,955	291,955
Pooled Investment Funds		-	46,116	46,116
Domestic Equity		-	68,199	68,199
Total		\$ 163,769	\$ 406,692	\$ 570,461

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At December 31, 2010, the Deferred Compensation Plan's deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

The 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.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agencies Securities	100%	100%
Agency Mortgage-Backed Securities	50%	50%
Non-Agency Mortgage-Backed Securities	5%	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 – Nongovernmental/Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

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

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

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

Equity holdings will be limited to five percent per issuer of the equity portfolio at the time of purchase,

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

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

At December 31, 2010, the Deferred Compensation Plan invested assets included \$45.4 million in Federal National Mortgage Association (FNMA) securities, which represented 7.99 percent of the Deferred Compensation Plan's total invested assets. FNMA is a U.S. Government Agency.

Foreign Currency Risk

The 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.

The 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.

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

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, 2011, SBS investments totaled \$2.487 billion.

Additional investment information is disclosed in the financial statements issued by the Department of Administration, Division of Retirement and Benefits. These financial statements are available through the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or at <http://doa.alaska.gov/drb/>.

Interest Rate Risk

Collective Investment and Money Market Funds

The 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.

The ARMB does not have a policy to limit interest rate risk for these investments. These investments with their related weighted average maturities at January 31, 2011 are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 44,302	7.51 years
Institutional Treasury Money Market Fund	12,675	49 days
Intermediate Bond Fund	13,608	4.02 years
Long U.S. Treasury Bond Index Fund	5,356	13.81 years
U.S. TIPS Index Fund	12,578	7.93 years
World Government Bond ex-U.S. Index Fund	3,406	6.91 years

Short-term Fixed Income Pool

The Investment Loss Trust Fund and the 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 upon purchase. Floating rate securities are limited to three years in maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2011, the expected average life of individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from one day to nine years.

Stable Value Fund

The 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 the 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 Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.55 years at January 31, 2011. The duration of the Barclays Capital Intermediate Aggregate Index was 4.09 years at January 31, 2011.

Duration is a measure of interest rate risk. In the case of the 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 the SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

The 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 Institutional Treasury Money Market Fund which had a weighted average maturity of 49 days at January 31, 2011.

Pooled Investment Funds

Duration is a measure of 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.

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate 13 participant directed funds. Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

For government and corporate debt securities, duration is limited to ± 0.20 years of the Barclays Aggregate Bond Index. At January 31, 2011, the duration of the Barclays Aggregate Bond Index was 5.04 years and the duration of the Aggregate Bond Trust was 4.94 years.

The weighted average maturity of the money market portfolio was 11.69 days at January 31, 2011.

The 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

The 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.

Treasury's investment policy limits credit risk in the Short-term Fixed Income Pool by limiting investments 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 P-1 or equivalent. Treasury's investment policy further limits investments in institutional money market funds to those rated AAA. Treasury does not have a policy to limit credit risk associated with deposit accounts or investment funds maintained by the custodian.

The 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, 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.

The 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,
Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation, and
Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At January 31, 2011, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

Investment type	Rating	Fair Value (in thousands)				Total
		Short-term Fixed Income Pool	Underlying Synthetic Investment Contracts	Investment Loss Trust	Other	
Investments with Credit Exposure:						
Money Market Fund	Not Rated	\$ -	\$ -	\$ -	\$ 2,814	\$ 2,814
Short-term Investment Fund	Not Rated	55	2,793	17	-	2,865
Commercial Paper	AAA	327	-	99	-	426
Commercial Paper	Not Rated	47	-	14	-	61
U.S. Government Agency	AAA	50	22,167	15	-	22,232
U.S. Government Agency:						
Discount Notes	AAA	466	-	141	-	607
Mortgage-backed	AAA	52	10,099	16	-	10,167
Mortgage-backed	AA	-	435	-	-	435
Mortgage-backed	A	-	697	-	-	697
Mortgage-backed	BBB	-	325	-	-	325
Mortgage-backed	Not Rated	1	101,658	1	-	101,660
Other Asset-backed	AAA	2,041	3,335	618	-	5,994
Other Asset-backed	A	8	-	2	-	10
Other Asset-backed	Not Rated	196	-	59	-	255
Corporate Bonds	AAA	1,977	-	599	-	2,576
Corporate Bonds	AA	97	6,868	29	-	6,994
Corporate Bonds	A	152	19,508	46	-	19,706
Corporate Bonds	BBB	-	14,208	-	-	14,208
Corporate Bonds	Not Rated	89	348	27	-	464
Yankees:						
Corporate	AAA	143	-	43	-	186
Corporate	AA	27	2,024	8	-	2,059
Corporate	A	-	3,541	-	-	3,541
Corporate	BBB	-	2,547	-	-	2,547
Corporate	Not Rated	203	-	62	-	265
Government	AAA	-	6,009	-	-	6,009
Government	AA	-	1,093	-	-	1,093
Government	A	-	669	-	-	669
Government	BBB	-	351	-	-	351
Government	Not Rated	-	514	-	-	514
Deposits and Investments with No Credit Exposure:						
Deposits		-	(2,096)	-	-	(2,096)
U.S. Treasury Bills	AAA	439	-	133	-	572
U.S. Treasury Notes	AAA	-	72,771	-	-	72,771
Participant-directed Funds						
Collective Investment Funds		-	-	-	538,870	538,870
Pooled Investment Funds		-	-	-	1,566,142	1,566,142
Domestic Equity		-	-	-	82,761	82,761
Total Invested Assets		6,370	269,864	1,929	2,190,587	2,468,750
Pool Related Net Assets/(Liabilities)		(55)	-	(16)	-	(71)
Total		\$ 6,315	\$ 269,864	\$ 1,913	\$ 2,190,587	\$ 2,468,679

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At January 31, 2011, the SBS Plan’s deposits were uncollateralized and uninsured.

Concentration of Credit Risk

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

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

The 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%
U.S. Agency Securities	100%	100%
Agency Mortgage-backed Securities	50%	50%
Nonagency Mortgage-backed Securities	5%	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 – Nongovernmental Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

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

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

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

Equity holdings will be limited to five percent per issuer 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 are limited to two percent of the total portfolio at the time of purchase, and

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

At January 31, 2011, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

The 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.

The 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.

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

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

APFC is managed by a six member board of trustees (the "Trustees" or "Board") consisting of the Department of Revenue Commissioner, one other head of a principal State department, and four governor-appointed public members with recognized competence and experience in finance, investments, or other business management-related fields. The Alaska Permanent Fund (the "Fund") assets are diversified across a wide variety of investments, in accordance with statutes, regulations, and APFC investment policies.

Investments and Related Policies

Carrying value of investments

The Fund's investments are reported at fair value in the financial statements. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance. For marketable debt and equity securities, including real estate investment trusts, fair values are obtained from independent sources using published market prices, quotations from national security exchanges, and security pricing services. Fair values of investments that have no readily ascertainable fair value are determined by management using the fair value capital account balances nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Direct investments in real estate are subject to annual appraisals and audits. All alternative investments undergo annual independent financial statement audits.

At June 30, 2011, the APFC’s strategic asset allocation targets were as follows:

<u>Risk Class</u>	<u>Asset Class</u>	<u>Risk Class Target</u>	<u>Asset Class Target</u>
Cash		2%	2%
Interest Rates		6%	
	U.S. Government Bonds		4%
	International Developed Government Bonds (currency hedged)		2%
Company Exposure		53%	
	Global Credit		11%
	Global Equity		36%
	Private Equity		6%
Real Assets		18%	
	Real Estate		12%
	Infrastructure		3%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities		21%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Distressed Debt		1%
	Mezzanine Debt		1%
	Structured Credit		1%
	Other (future opportunities)		5%

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC’s chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the “green zone” in the investment policy), the APFC’s executive director can approve target deviations for up to 90 days within a broader range (the “yellow zone”), and the Board can approve operating for longer than 30 days within a third range (the “red zone”). For example, the target allocation for the interest rate risk class is six percent, with the green zone range set at 6 to 12 percent, yellow zone ranges set at five to six percent and 12 to 20 percent, and red zone ranges set at allocations of less than five percent or greater than 20 percent. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio’s risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

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

Interest Rate Risk

The APFC manages the Fund's exposure to interest rate risk in part through tracking error guidelines set forth in the APFC's investment policy. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, the major factors affecting duration are, in order of importance, maturity, prepayment frequency, level of market interest rates, size of coupon, and frequency of coupon payments. Rising interest rates generally translate into the value of fixed income investments declining, while falling interest rates are generally associated with increasing value. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. As an example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5.0 percent.

At June 30, 2011, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$346,583 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero percent to 10.5 percent.

Credit Risk

The APFC requires that its investment grade fixed income managers invest in domestic and non-domestic bonds that have an explicit or implied investment grade rating. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain high yield investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

Custodial Credit Risk

The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund or the APFC (on behalf of the Fund). For the Fund's non-domestic securities held by most sub-custodians, the APFC's primary custodian provides contractual indemnities against sub-custodial credit risk. Excess cash in custodial accounts is swept daily to a money market fund managed by Invesco Aim Advisors, Inc. Late deposits of cash, which miss the money market sweep deadline, are deposited to an interest bearing account at the custodian.

Concentration of Credit Risk

The APFC manages the Fund's concentration of credit risk by following its strategic asset allocation policy, diversifying investments among managers with varying investment styles and mandates, and monitoring tracking error. Tracking error is a measure of how closely a portfolio follows the index to which it is benchmarked. The APFC's policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with APFC investment policy and investment manager contracts. There is no single-issuer exposure within the APFC portfolio that comprises five percent or more of the overall portfolio. Therefore, no concentration of credit risk is reported in the notes to the financial statements.

Foreign Currency Risk

Foreign currency risk is managed through foreign currency forward contracts and by diversifying assets into various countries and currencies.

Forward Exchange Contracts

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

A portion of forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than

on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Equity Index Futures

Certain equity managers for the Fund are permitted to buy and sell equity index futures. The gross fair value of equity index futures does not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase in the fair value of investments, based on the difference between the contract purchase price and the current value of the futures index as of the balance sheet date.

Cash and Temporary Investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes two percent to cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2011 (in thousands):

Cash and Pooled Funds	\$ 1,656,603
U.S. Treasury Bills	<u>3,275</u>
Total Cash and Temporary Investments	<u>\$ 1,659,878</u>

U.S. Treasury bills are explicitly guaranteed by the U.S. government. At June 30, 2011, uninvested cash of \$72,663 thousand was held at the custodian, sub-custodian, or futures broker banks, primarily in interest-bearing accounts. All remaining cash balances were invested in a money market fund managed by Invesco Aim Advisors, Inc.

Marketable Debt Securities

Marketable debt securities at June 30, 2011, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	Cost	Fair Value	Unrealized Gains/(Losses)
Treasury and Government Notes/Bonds	\$ 1,820,263	\$ 1,931,332	\$ 111,069
Mortgage-backed Securities	580,397	594,595	14,198
Corporate Bonds	2,551,947	2,640,400	88,453
Commercial Mortgage/Asset-backed Securities	337,182	359,146	21,964
Non-U.S. Treasury and Government Bonds	1,295,129	1,393,253	98,124
Non-U.S. Corporate Bonds	465,289	489,502	24,213
Total Marketable Debt Securities	<u>\$ 7,050,207</u>	<u>\$ 7,408,228</u>	<u>\$ 358,021</u>

Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 87 percent of bond mandates at June 30, 2011), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Managers with high yield mandates (approximately 13 percent of bond mandates at June 30, 2011) are

allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the Nationally Recognized Statistical Rating Organizations (NRSRO) used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2011, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

NRSRO Quality Rating	Domestic	Non-domestic	Total Fair Value	Percent of Holdings
AAA	\$ 406,345	\$ 588,915	\$ 995,260	13.44%
AA	188,566	505,170	693,736	9.36%
A	1,039,723	259,995	1,299,718	17.54%
BBB	794,776	318,956	1,113,732	15.03%
BB	77,187	131,522	208,709	2.82%
B	59,493	62,056	121,549	1.64%
CCC	41,927	1,198	43,125	0.58%
CC	4,154	-	4,154	0.06%
C	4,312	718	5,030	0.07%
Total fair value of rated debt securities	2,616,483	1,868,530	4,485,013	60.54%
Commingled Bond Funds	353,509	-	353,509	4.77%
Not rated	8,985	14,226	23,211	0.31%
U.S. government explicitly backed by the U.S. government	2,047,332	-	2,047,332	27.64%
U.S. government implicitly backed by the U.S. government	499,163	-	499,163	6.74%
Total fair value debt securities	\$ 5,525,472	\$ 1,882,756	\$ 7,408,228	100.00%

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2011, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic Bonds		
Treasuries and Government Notes/Bonds	34.95%	6.71
Mortgage-backed Securities	10.76%	4.23
Corporate Bonds	47.79%	6.31
Commercial Mortgage and Asset-backed Securities	6.50%	3.04
Total Domestic Bonds	100.00%	6.00
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	74.00%	5.98
Non-U.S. Corporate Bonds	26.00%	5.94
Total Non-domestic Bonds	100.00%	5.97

Preferred and Common Stock

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund.

The Fund invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors. The commingled stock funds held as of June 30, 2011 were: the Emerging Markets Growth Fund (EMGF)

managed by Capital International, Inc.; the International Small Company Portfolio (DFISX) managed by Dimensional Fund Advisors, LP; and, the DFA International Small Cap Value Portfolio (DISVX) managed by Dimensional Fund Advisors, LP.

The fair values of the Fund's shares in the EMGF were \$1,316,974 thousand as of June 30, 2011, and are included in the non-domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 7.9 percent of the total EMGF value at June 30, 2011.

The fair values of the Fund's shares in the DFISX funds were \$251,872 thousand as of June 30, 2011, and are included in the non-domestic values shown below. The fair values of the Fund's shares in the DISVX funds were \$243,072 thousand as of June 30, 2011, and are included in the non-domestic values shown below. The value of the Fund's investment in the DFISX fund represented approximately 4 percent of the total DFISX value at June 30, 2011. The value of the Fund's investment in the DISVX fund represented approximately 3 percent of the total DISVX value at June 30, 2011.

Preferred and common stocks at June 30, 2011, are summarized as follows (in thousands), and include the net fair value of equity index futures:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Domestic	\$ 8,945,123	\$ 10,897,167	\$ 1,952,044
Non-domestic	<u>6,891,512</u>	<u>8,167,105</u>	<u>1,275,593</u>
Total Preferred and Common Stock	<u>\$ 15,836,635</u>	<u>\$ 19,064,272</u>	<u>\$ 3,227,637</u>

Foreign Currency Exposure

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, 2011, the Fund's cash holdings, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows, shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded (in thousands):

Foreign Currency	Cash	Public Equity	Debt	Private Equity	Total Foreign Currency Exposure
Argentine Peso	\$ (19)	\$ -	\$ 3,459	\$ -	\$ 3,440
Australian Dollar	11,655	421,115	-	6,957	439,727
Brazilian Real	2,299	115,461	38,363	-	156,123
British Pound Sterling	825	1,410,159	76,855	28,480	1,516,319
Canadian Dollar	11,100	699,633	72,512	-	783,245
Chilean Peso	13	1,373	-	-	1,386
Colombian Peso	5	850	22,941	-	23,796
Czech Koruna	(41)	742	6,850	-	7,551
Danish Krone	1,326	59,544	13,249	-	74,119
Egyptian Pound	5	1,983	-	-	1,988
Euro Currency	(31,314)	2,145,950	341,545	175,682	2,631,863
Hong Kong Dollar	10,538	439,920	-	-	450,458
Hungarian Forint	-	913	6,272	-	7,185
Indian Rupee	250	80,511	-	-	80,761
Indonesian Rupiah	(1,803)	44,237	32,257	-	74,691
Israeli Shekel	2,917	47,152	1,798	-	51,867
Japanese Yen	11,539	1,346,629	236,817	-	1,594,985
Malaysian Ringgit	240	25,840	17,416	-	43,496
Mexican Peso	262	30,900	53,558	-	84,720
Moroccan Dirham	12	182	-	-	194
New Zealand Dollar	307	15,159	-	-	15,466
Norwegian Krone	(204)	46,480	-	-	46,276
Philippine Peso	44	965	19,113	-	20,122
Polish Zloty	9	27,448	12,432	-	39,889
Russian Ruble	-	-	12,267	-	12,267
Singapore Dollar	3,820	88,478	-	-	92,298
South African Rand	(516)	62,357	8,342	-	70,183
South Korean Won	(460)	166,680	37,573	-	203,793
Swedish Krona	1,698	193,031	32,352	23	227,104
Swiss Franc	9,791	477,379	-	-	487,170
Taiwan Dollar	1,221	134,940	-	-	136,161
Thai Baht	(1,562)	49,964	1,887	-	50,289
Turkish Lira	-	30,099	36,226	-	66,325
Uruguayan Peso	-	-	15,558	-	15,558
Total foreign currency exposure	\$ 33,957	\$ 8,166,074	\$ 1,099,642	\$ 211,142	\$ 9,510,815

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

Real Estate

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, a real estate operating company, and other entities whose assets consist primarily of real property. The Fund invests in real estate directly through ownership of interests in corporations, limited liability companies, and partnerships that hold title to the real estate. External institutional real estate management firms administer the Fund’s directly owned real estate investments.

Real estate investments at June 30, 2011, are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Real Estate Investment Trusts	\$ 225,939	\$ 292,888	\$ 66,949
Alaska Residential Mortgage	21	21	-
Directly Owned Real Estate:			
Earnest Money - Pending Purchase	2,771	2,771	-
Retail	673,070	1,192,533	519,463
Office	1,056,142	958,096	(98,046)
Industrial	248,006	248,743	737
Multifamily	978,110	1,028,302	50,192
Total Real Estate	<u>\$ 3,184,059</u>	<u>\$ 3,723,354</u>	<u>\$ 539,295</u>

Subsequent to fiscal year end 2011, one real estate property was sold. The industrial building, located in California, was sold for \$22.2 million (which approximated the carrying value of the property at June 30, 2011), incurring a realized loss of \$5.3 million.

Alternative Investments

Alternative investments include the Fund’s investments in or through real return mandates, absolute return strategies, private equity, infrastructure, distressed debt, and mezzanine debt.

The objective for the real return mandate is to produce a five percent real return (in excess of inflation) over the longer of one business cycle or five years. Each manager’s contract specifies permitted investments and liquidity guidelines. Investments are generally in commingled proprietary funds structured as limited partnerships.

Absolute return strategies are investments in specialized funds with low market correlation. The Fund’s absolute return strategies are managed through three limited partnerships, in which the Fund is the only limited partner (“fund-of-one”). External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries with respect to the Fund. Absolute return strategies invest in a diversified portfolio of underlying limited partnership interests or similar limited liability entities. Each fund-of-one provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit. Many absolute return investments do not have readily ascertainable fair values and may be subject to withdrawal restrictions and/or additional expenses upon early withdrawal of invested funds.

The Fund holds private equity through investments in limited liability companies and limited partnerships that 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 external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the external advisors and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy

generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

The Fund invests in distressed debt through limited partnerships that invest either directly in distressed debt or in commingled limited liability funds with a distressed debt focus. The Fund invests in mezzanine debt through limited partnerships that invest directly in mezzanine debt. These investments are funded over time, as opportunities arise. The limited partnerships undergo annual independent audits. Distressed debt and mezzanine investments, by their nature, generally have no readily ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets.

Alternative investments at June 30, 2011, are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Real return	\$ 2,864,271	\$ 3,164,561	\$ 300,290
Absolute return	2,200,847	2,530,937	330,090
Private equity	1,247,827	1,378,117	130,290
Infrastructure	656,198	786,916	130,718
Distressed and mezzanine debt	456,735	531,116	74,381
Total alternative investments	<u>\$ 7,425,878</u>	<u>\$ 8,391,647</u>	<u>\$ 965,769</u>

As of June 30, 2011, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$1.6 billion for private equity; \$636 million for infrastructure; and \$775 million for distressed and mezzanine debt investments combined.

Alaska Certificates of Deposit

State regulations and APFC investment policy authorize the APFC 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. The certificates of deposit are secured by collateral consisting of letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored enterprises.

Securities Lending

State regulations at 15 AAC 137.510 and APFC investment policy authorize the APFC to enter into securities lending transactions on behalf of the Fund. Through a contract with the Bank of New York Mellon (the Bank), the Fund lends marketable debt and equity securities to borrowers who are banks and broker-dealers. The loans are collateralized with cash or marketable securities guaranteed by the U.S. government or a U.S. government agency. Under APFC's contract with the Bank, the Bank must mark the loaned securities and collateral to the market daily, and the loan agreements require the borrowers to maintain the collateral at not less than 102 percent of the fair value of the loaned securities for domestic securities (and non-domestic loaned securities denominated in U.S. Dollars) and not less than 105 percent of the fair value for other non-domestic loaned securities. The APFC can sell securities that are on loan. If a borrower fails to return the loaned securities (borrower default), the Bank can use cash collateral (and the proceeds on the sale of any non-cash collateral) to purchase replacement securities. Generally, the APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against losses resulting from counterparty failure, the reinvestment of cash collateral, default on collateral investments, or a borrower's failure to return loaned securities.

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2011, such investments were in overnight repurchase agreements that had a weighted-average-maturity of one day. The average term of the loans was also one day. At June 30, 2011 the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan	\$ 3,426,988
Cash Collateral	3,617,520

The Fund receives 80 percent of earnings derived from securities lending transactions and the Bank retains 20 percent. During the year ended June 30, 2011, the Fund incurred no losses from securities lending transactions. The Fund received income of \$8,957 thousand from securities lending for the year ended June 30, 2011, which is recorded in real estate and other income on the statements of revenues, expenditures, and changes in fund balances.

Investment Income by Source

Investment income during the year ended June 30, 2011, is summarized as follows (in thousands):

Interest	
Domestic Marketable Debt Securities	\$ 244,176
Non-domestic Marketable Debt Securities	35,531
Alaska Certificates of Deposit	1,890
Short-term Domestic and Other	2,123
Total Interest	<u>\$ 283,720</u>
Dividends	
Domestic Stocks	\$ 107,030
Non-domestic Stocks	352,823
Total Dividends	<u>\$ 459,853</u>
Real Estate and Other Income	
Directly Owned Real Estate Interest	\$ 1
Directly Owned Real Estate Net Rental Income	127,306
Real Estate Investment Trust Dividends	12,552
Real Return Interest and Dividends	30,038
Absolute Return Management Expenses, Net of Dividend and Interest Income	(17,138)
Distressed and Mezzanine Debt Interest Income, Net of Fees	1,040
Infrastructure Fees, Net of Interest and Dividend Income	(3,291)
Private Equity Dividend Income, Net of Management Expenses	5,335
Class Action Litigation Income	3,393
Loaned Securities, Commission Recapture and Other Income	9,590
Total Real Estate and Other Income	<u>\$ 168,826</u>

Foreign Exchange Contracts and Off-Balance Sheet Risk

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2011 ranged between one and 154 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. The Fund's market risk as of June 30, 2011 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 fiscal year 2011 are summarized as follows (in thousands):

Face Value of FX Forward Contracts	\$ 2,528,767
Net Unrealized Holding Losses on FX Forward Contracts	<u>(5,195)</u>
Fair Value of FX Forward Contracts	<u>\$ 2,523,572</u>
Change in Unrealized Holding Losses	\$ (3,634)
Realized Losses	<u>(122,114)</u>
Net Decrease in Fair Value of FX Forward Contracts	<u>\$ (125,748)</u>

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for fiscal year 2011 is summarized as follows (in thousands):

Face Value of Equity Index Futures	\$ 149,868
Net Unrealized Holding Gains on Futures	<u>5,083</u>
Fair Value of Equity Index Futures	<u>\$ 154,951</u>
Change in Unrealized Holding Gains	\$ 10,279
Realized Gains	<u>22,895</u>
Net Increase in Fair Value of Futures	<u>\$ 33,174</u>

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the Fund's balance sheets. All other balance and activity amounts shown above are included in the Fund's financial statements.

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>	
	<u>Value</u>	<u>Useful Life</u>	<u>at 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
Intangible Assets and				
Computer Software	500,000	3-7		
Building Improvements	100,000	1-50	All	5-40
Machinery/equipment	100,000	3-60	5,000	5-10
Construction in Progress				

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, 2011, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 504	\$ 18	\$ -	\$ 522
Land	319	3	-	322
Construction in progress	<u>1,359</u>	<u>539</u>	<u>(382)</u>	<u>1,516</u>
Total capital assets not being depreciated	<u>2,182</u>	<u>560</u>	<u>(382)</u>	<u>2,360</u>
Capital assets being depreciated:				
Buildings	1,607	72	(36)	1,643
Intangible - Software	39	10	-	49
Equipment	828	34	(6)	856
Infrastructure	<u>5,985</u>	<u>279</u>	<u>(22)</u>	<u>6,242</u>
Total capital assets being depreciated	<u>8,459</u>	<u>395</u>	<u>(64)</u>	<u>8,790</u>
Less accumulated depreciation for:				
Buildings	(492)	(30)	7	(515)
Intangible - Software	(37)	(6)	-	(43)
Equipment	(390)	(36)	3	(423)
Infrastructure	<u>(3,486)</u>	<u>(285)</u>	<u>5</u>	<u>(3,766)</u>
Total accumulated depreciation	<u>(4,405)</u>	<u>(357)</u>	<u>15</u>	<u>(4,747)</u>
Total capital assets being depreciated, net	<u>4,054</u>	<u>38</u>	<u>(49)</u>	<u>4,043</u>
Capital assets, net	<u>\$ 6,236</u>	<u>\$ 598</u>	<u>\$ (431)</u>	<u>\$ 6,403</u>

Internal service funds predominantly serve the governmental funds. Accordingly, capital assets for internal funds are included as part of the above schedule for governmental activities.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30	\$ -	\$ -	\$ 30
Construction in progress	77	86	(103)	60
Total capital assets not being depreciated	<u>107</u>	<u>86</u>	<u>(103)</u>	<u>90</u>
Capital assets being depreciated:				
Buildings	973	21	-	994
Equipment	76	7	(1)	82
Infrastructure	670	70	-	740
Total capital assets being depreciated	<u>1,719</u>	<u>98</u>	<u>(1)</u>	<u>1,816</u>
Less accumulated depreciation for:				
Buildings	(227)	(29)	-	(256)
Equipment	(47)	(5)	1	(51)
Infrastructure	(308)	(25)	-	(333)
Total accumulated depreciation	<u>(582)</u>	<u>(59)</u>	<u>1</u>	<u>(640)</u>
Total capital assets being depreciated, net	<u>1,137</u>	<u>39</u>	<u>-</u>	<u>1,176</u>
Capital assets, net	<u>\$ 1,244</u>	<u>\$ 125</u>	<u>\$ (103)</u>	<u>\$ 1,266</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), 100.3 million acres have been patented or “tentatively approved.”

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

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

	<u>Amount</u>
Governmental Activities	
General Government	\$ 3
Education	9
Health and Human Services	5
Law and Justice	3
Natural Resources	3
Public Protection	7
Transportation	302
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>25</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 357</u>
Business-type Activities	
Enterprise	<u>\$ 59</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, 2011 (in millions):

	Beginning Balance (restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 8	\$ 1	\$ (1)	\$ 8
Land	73	13	-	86
Library, media, and museum collections	58	1	-	59
Construction in progress	152	230	(193)	189
Infrastructure	11	-	-	11
Total capital assets not being depreciated	<u>302</u>	<u>245</u>	<u>(194)</u>	<u>353</u>
Capital assets being depreciated/depleted:				
Intangible - Software	1	-	-	1
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Buildings	1,504	58	(2)	1,560
Equipment	525	41	(11)	555
Infrastructure	1,244	113	-	1,357
Total capital assets being depreciated/depleted	<u>3,299</u>	<u>212</u>	<u>(13)</u>	<u>3,498</u>
Less accumulated depreciation/depletion for:				
Intangible - Right of Use	(2)	(1)	-	(3)
Buildings	(722)	(53)	1	(774)
Equipment	(278)	(33)	9	(302)
Infrastructure	(466)	(49)	1	(514)
Total accumulated depreciation/depletion	<u>(1,468)</u>	<u>(136)</u>	<u>11</u>	<u>(1,593)</u>
Total capital assets being depreciated/depletion, net	<u>1,831</u>	<u>76</u>	<u>(2)</u>	<u>1,905</u>
Capital assets, net	<u>\$ 2,133</u>	<u>\$ 321</u>	<u>\$ (196)</u>	<u>\$ 2,258</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.

Two component units have restated beginning balances for capital assets displayed in the table above. The Alaska Natural Gas Development Authority identified additional capitalization from prior years which resulted in an adjustment to the FY 11 beginning balance for intangibles – easements and right-of-way. See Note 3 for further information on this restatement. The Alaska Industrial Development and Export Authority capital asset beginning balances are restated above in order to include development projects, which were not previously reported within this note.

NOTE 6 – SHORT-TERM DEBT, BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

SHORT-TERM DEBT

Two enterprise funds, the Alaska Clean Water Fund and the Alaska Drinking Water Fund issued bond anticipation notes during FY 11 totaling \$2,439 thousand and \$2,714 thousand respectively. The proceeds were used to fund the State share of loan distributions and administration costs. In accordance with the Environmental Protection Agency regulations, interest and investment earnings were used to retire the bond anticipation notes. No balance was outstanding at year end.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2011 is as follows (in thousands):

	Beginning	Increases	Decreases	Ending
	Balance			Balance
Bond Anticipation Notes	\$ -	\$ 5,153	\$ 5,153	\$ -

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2011 (in thousands):

Governmental Activities	Beginning	Increases	Decreases	Ending	Amounts
	Balance			Balance	Due Within One Year
Revenue bonds payable	\$ 425,753	\$ 965	\$ 4,182	\$ 422,536	\$ 2,699
General obligation debt	489,517	201,837	35,721	655,633	55,301
Capital leases payable	410,085	8,212	25,661	392,636	21,305
Unearned & deferred revenue	302,187	44,292	1,993	344,486	37,826
Certificates of participation	45,605	-	6,005	39,600	6,215
Compensated absences	154,051	150,716	143,569	161,198	132,764
Claims and judgments	75,087	599	896	74,790	33,698
Pollution Remediation	53,316	44,319	23,603	74,032	8,771
Other noncurrent liabilities	1,304	104	325	1,083	726
Net pension obligation	751	1,431	-	2,182	-
Total	\$ 1,957,656	\$ 452,475	\$ 241,955	\$ 2,168,176	\$ 299,305

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

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. Arbitrage rebates payable are reported under claims and judgments.

Business-type Activities	Beginning			Ending	Amounts
	Balance	Increases	Decreases	Balance	Due Within One Year
Revenue bonds payable	\$ 562,006	\$ 171,060	\$ 139,469	\$ 593,597	\$ 13,150
Unearned & deferred revenue	4,175	74	-	4,249	4,249
Compensated absences	4,353	3,833	3,687	4,499	3,392
Claims and judgements	910	-	650	260	260
Pollution Remediation	1,429	-	116	1,313	125
Other noncurrent liabilities	155	172	-	327	-
Total	<u>\$ 573,028</u>	<u>\$ 175,139</u>	<u>\$ 143,922</u>	<u>\$ 604,245</u>	<u>\$ 21,176</u>

B. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2011, the following were the general obligation bond debt outstanding (in millions):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 52.1	\$ 32.1	\$ 84.2
2013	55.2	28.0	83.2
2014	38.1	25.8	63.9
2015	27.1	24.3	51.4
2016	28.2	23.0	51.2
2017-2021	137.2	94.3	231.5
2022-2026	95.8	66.6	162.4
2027-2031	143.6	37.5	181.1
2032-3036	66.5	5.8	72.3
Total debt service requirements	643.8	<u>\$ 337.4</u>	<u>\$ 981.2</u>
Unamortized bond premium	11.8		
Total principal outstanding	<u>\$ 655.6</u>		

The General Obligation Bonds Series 2003A were issued for the purpose of paying \$235,215,500 of the cost of design, construction and major maintenance of educational and museum facilities and for the purpose of paying \$123,914,500 of the costs of State transportation projects. The Series 2003B Bonds were issued for the purpose of paying \$102,805,000 of the costs of State transportation projects. The Series 2009A Bonds were issued for the purpose of paying \$165,000,000 of the costs of State transportation projects. The Series 2010 A, B, and C Bonds were issued for the purpose of paying \$200,000,000 of the costs of State education projects.

REVENUE BONDS

As of June 30, 2011, the following were the revenue bonds outstanding (in millions):

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 2.7	\$ 20.2	\$ 13.2	\$ 28.0
2013	9.8	20.1	13.7	27.5
2014	12.6	19.7	14.3	26.9
2015	13.4	19.2	20.6	26.1
2016	14.2	18.5	21.7	25.1
2017-2021	44.9	84.9	141.5	106.6
2022-2026	53.7	73.9	187.9	65.3
2027-2031	41.2	62.0	135.1	20.7
2032-2036	54.2	50.4	32.1	5.0
2037-2041	71.2	35.3	-	-
2042-2046	108.8	140.3	-	-
Total debt service requirements	426.7	<u>\$ 544.5</u>	580.1	<u>\$ 331.2</u>
Unamortized bond (discounts)/premiums	(8.3)		13.5	
Plus accreted value	4.2		-	
Total principal outstanding	<u>\$ 422.6</u>		<u>\$ 593.6</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.

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2011 includes \$374.9 million in principal, \$522.2 million in interest, \$8.4 million in unamortized discount, and \$4.2 million in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing (SF) Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its full faith and credit to the payment of the bonds. Sport Fishing revenue bond total at year end includes \$51.8 million in principal, \$22.3 million in interest, and \$.1 million in unamortized premium.

International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund (IAF). 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. There are \$23.2 million of bonds authorized by the Alaska Legislature that have not been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets. During FY 11, \$145.1 million in International Airports Revenue Bonds were refunded. Total bond

interest arbitrage rebate liability was \$327.9 thousand at June 30, 2011. Federal subsidies related to the interest payments made during the year on Build American Bonds were \$217 thousand.

C. CAPITAL AND OPERATING LEASES

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

Governmental Activities Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2012	\$ 35.8	\$ 21.3	\$ 20.4	\$ 41.7
2013	26.6	21.4	19.4	40.8
2014	21.5	21.8	18.4	40.2
2015	14.3	22.1	17.3	39.4
2016	10.8	21.9	16.3	38.2
2017-2021	22.0	102.4	64.6	167.0
2022-2026	3.3	72.5	41.8	114.3
2027-2031	1.6	74.4	21.3	95.7
2032-2036	1.0	33.6	2.3	35.9
2037-2041	0.2	-	0.3	0.3
2042-2046	0.2	-	0.3	0.3
2047-2051	0.2	-	0.3	0.3
2052-2056	0.2	0.1	0.2	0.3
2057-2061	1.8	1.1	1.5	2.6
Total	<u>\$ 139.5</u>	<u>\$ 392.6</u>	<u>\$ 224.4</u>	<u>\$ 617.0</u>

Leases at June 30, 2011 are reported by the State of Alaska within Governmental Activities and Business-Type Activities, as applicable.

The State leases office facilities, office and computer equipment, and other assets under a variety of agreements. Although lease terms vary, most leases are subject to appropriation from the State Legislature to continue the obligation. If the possibility of receiving no funding from the Legislature is remote, leases are considered noncancelable for financial reporting purposes. Leases that represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial records at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Certain operating leases are renewable for specified periods. In most cases, management expects that the leases will be renewed or replaced by other leases.

Buildings and equipment under capital leases as of June 30, 2011 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 408,401	\$ -
Equipment	9,895	-
Less: Accumulated Depreciation	(25,660)	-
	<u>\$ 392,636</u>	<u>\$ -</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, 2011 (in millions):

<u>Governmental Activities</u> Year Ending June 30	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6.2	\$ 1.7	\$ 7.9
2013	6.5	1.5	8.0
2014	3.9	1.1	5.0
2015	4.1	1.0	5.1
2016	4.3	0.8	5.1
2017-2021	14.6	1.6	16.2
Total	<u>\$ 39.6</u>	<u>\$ 7.7</u>	<u>\$ 47.3</u>

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 322.0	\$ 184.8	\$ 506.8
2013	196.0	176.7	372.7
2014	268.3	168.2	436.5
2015	157.3	160.3	317.6
2016	161.9	153.5	315.4
2017-2021	803.2	658.5	1,461.7
2022-2026	685.8	482.0	1,167.8
2027-2031	697.9	317.8	1,015.7
2032-2036	553.1	169.3	722.4
2037-2041	526.6	44.9	571.5
2042-2046	84.0	1.4	85.4
Total debt service requirements	4,456.1	<u>\$ 2,517.4</u>	<u>\$ 6,973.5</u>
Unamortized (discounts)/premiums	23.5		
Unamortized swap termination penalty	(19.8)		
Deferred amount on refunding	(21.0)		
Total principal outstanding	<u>\$ 4,438.8</u>		

The preceding table does not include \$494 thousand of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

The Alaska Housing Finance Corporations (AHFC) entered into derivatives to reduce the overall cost of borrowing long-term capital and protect against the risk of rising interest rates. AHFC's derivatives consist of interest rate swap agreements entered into in connection with its long-term variable bonds. The interest rate swaps are pay-fixed, receive-variable agreements, and were entered into at a cost less than what AHFC would have paid to issue conventional fixed-rate debt.

The swaps are recorded and disclosed as either hedging derivatives or investment derivatives. The synthetic instrument method was used to determine whether the derivative was hedgeable or not. The fair values of the hedgeable derivatives and investment derivatives are presented in the Statement of Net Assets, either as a derivative liability (negative fair value amount) or as a derivative asset (positive fair value amount). If a swap changes from a hedgeable derivative to an investment derivative, the hedge is considered terminated and the accumulated change in fair value is no longer deferred but recognized as a revenue item.

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 asset or liabilities in the marketplace if a swap were to be terminated.

AHFC's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swap's fair value. As of June 30, 2011, AHFC has not posted any collateral and is not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC's hedging derivatives as of June 30, 2011, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/1/2008	2.4530%	67% of 1M LIBOR ⁴	12/1/2030	A+/Aa3
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	A/A2
E021A1 ²	10/9/2008	2.9800%	70% of 3M LIBOR ⁵	6/1/2032	AAA/Aa1
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	A/A2
SC02C ³	12/5/2002	4.3030%	SIFMA ⁶ +0.115%	7/1/2022	AA-/Aa1
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa1
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	AA-/Aa1
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A+/A1
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa1
E091AB	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	AA-/Aa1

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate 1 month

⁵ London Interbank Offered Rate 3 month

⁶ Securities Industry and Financial Markets Municipal Swap Index

⁷ Standard & Poor's/Moody's

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2011, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2011	Fair Values June 30, 2010	Change in Fair Values
GP01A	\$ 59,945	\$ 60,970	\$ (1,025)	\$ (2,008)	\$ 983
GP01B	73,255	85,883	(12,628)	(14,848)	2,220
E021A1	45,800	48,269	(2,469)	(3,493)	1,024
E021A2	120,000	124,797	(4,797)	(6,965)	2,168
SC02C	60,250	67,421	(7,171)	(7,669)	498
E071AB	143,622	165,440	(21,818)	(27,723)	5,905
E071BD	95,748	109,703	(13,955)	(17,879)	3,924
E091A	72,789	84,027	(11,238)	(14,293)	3,055
E091B	72,789	84,164	(11,375)	(14,462)	3,087
E091ABD	97,052	111,512	(14,460)	(18,559)	4,099
Total	<u>\$ 841,250</u>	<u>\$ 942,186</u>	<u>\$ (100,936)</u>	<u>\$ (127,899)</u>	<u>\$ 26,963</u>

As of June 30, 2011, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments 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
2012	\$ 6,895	\$ 5,308	\$ 29,230	\$ 41,433
2013	12,825	5,223	28,945	46,993
2014	13,390	5,117	28,488	46,995
2015	13,955	5,006	28,010	46,971
2016	14,565	4,891	27,513	46,969
2017-2021	117,385	22,490	127,462	267,337
2022-2026	154,055	18,296	102,685	275,036
2027-2031	175,865	12,656	75,151	263,672
2032-3036	171,565	5,708	45,682	222,955
2037-2041	152,510	351	15,803	168,664
2042	8,240	3	147	8,390
	<u>\$ 841,250</u>	<u>\$ 85,049</u>	<u>\$ 509,116</u>	<u>\$ 1,435,415</u>

Interest Rate Risk

AHFC is exposed to interest rate risk on all of its interest rate swaps. As LIBOR or the SIFMA index decreases, AHFC's net payment on the swaps increases.

Credit Risk

As of June 30, 2011, AHFC is not exposed to credit risk on any swaps because the swaps all have negative fair values. If interest rates rise and the fair values of swaps become positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. AHFC currently has swap agreements with five separate counterparties. Approximately 31 percent of the total notional amount of the swaps

is held with one counterparty rated AAA/Aa1. Another 30 percent of the total notional amount of the swaps is held with one counterparty rated AA-/Aa1. Of the remaining swaps, one counterparty is rated A/A2, another counterparty is rated A+/A1, and the remaining counterparty is rated A+/Aa3, approximating 23 percent, 9 percent, and 7 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of AHFC’s variable-rate bond interest payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2011, SIFMA was 0.09 percent and 1 month LIBOR was 0.1856 percent, resulting in a SIFMA/LIBOR ratio of 48.5 percent. The 3 month LIBOR was 0.2458 percent resulting in a SIFMA/LIBOR ratio of 36.6 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

Termination Risk

Termination risk is the risk of an unscheduled termination of a swap prior to its planned maturity. If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic fixed interest rates and, AHFC would be exposed to interest rate risk on the bond. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Further, if any of the swaps have a negative fair value at termination, AHFC would be liable to the counterparty for payments equal to the swaps’ fair value. AHFC or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in AHFC making termination payments totaling \$22,181 thousand to the counterparties. AHFC replaced the swaps with new swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The E021A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the GP01A and GP01B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the unswapped portion of the debt.

INVESTMENT DERIVATIVES

The State Capital Project Bonds, 2002 Series B, were fully redeemed in fiscal year 2009, so the associated interest rate swap was no longer a hedging derivative and is accounted for as an investment derivative.

The significant terms and credit ratings of AHFC’s investment derivatives as of June 30, 2011, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating
SC02B	12/5/2002	3.77%	70% of 1M LIBOR	7/1/2024	AA-/Aa1

The change in fair value of the investment derivatives as of June 30, 2011, is shown below (in thousands) and is presented as a net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Assets.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2011	Fair Values June 30, 2010	Change in Fair Values
SC02B	\$ 14,555	\$ 16,513	\$ (1,958)	\$ (2,368)	\$ 410

Credit Risk

As of June 30, 2011, AHFC is not exposed to credit risk on this outstanding swap because the swap has a negative fair value. If interest rates rise and the fair values of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated AA-/Aa1.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

PERS-DB is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by Chapter 35 of Alaska Statute Title 39, and may be amended only by the state legislature. PERS-DB provides for normal pension benefits and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the PERS-DB to new members effective July 1, 2006 and created a Public Employees' Retirement System Defined Contribution Retirement Plan (PERS-DCR). Information regarding PERS-DCR is disclosed in Note 8.

Prior to July 1, 2008, PERS was a defined benefit, agent, multiple-employer public employee retirement plan. The Alaska Legislature passed Senate Bill 125, which was signed by the Governor on April 2, 2008. This law converted the PERS to a cost-sharing plan under which the unfunded liability will be shared among all employers. This legislation also established a uniform contribution rate of 22 percent of participating employees' covered payroll.

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 originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, JRS and EPORS Plans. Due to the establishment of the Alaska Retiree Healthcare Trust (ARHCT) effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains 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 PERS-DB Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. PERS includes the PERS-DB and Alaska Retiree Healthcare Trust Fund. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The PERS component unit is comprised of the PERS-DB, PERS-DCR Plans, and the ARHCT. 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. Participants should refer to the plan agreement for more complete information. 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, 2011 the number of PERS participating employers was:

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

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

The PERS-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year. The employer rate for the State of Alaska for the year ended June 30, 2011 was capped at 22 percent of compensation.

The state’s contributions to PERS-DB for the fiscal years ended June 30, 2011, 2010 and 2009 were \$237.7, \$233.1, and \$224.6 million respectively for the year. For the FY 11 contributions, \$82.5 million was for pensions and \$155.2 million was for postemployment benefits. The contributions were equal to the required contributions in FY 11.

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 as funds become available for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the PERS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year.

Chapter 41 SLA 2010 appropriated \$165.8 million from the General Fund to the PERS-DB as an additional state contribution for FY 11. The portion of this payment attributable to State of Alaska employers is \$97,412 thousand, of which \$38,289 thousand is for pensions and \$59,123 thousand is for postemployment benefits.

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 on or after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) may 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 and all other employees with 30 years of membership service also receive benefits at no premium cost.

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

TRS-DB is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State to provide pension and postemployment healthcare benefits for teachers and other eligible participants. Benefit and contribution provisions are established by Chapter 25 of Alaska Statute Title 14 and may be amended only by the state legislature. TRS-DB provides for normal pension benefits, as well as death, disability, and postemployment healthcare benefits. The 24th Alaska State Legislature enacted into law Senate Bill 141, which closed the TRS-DB to new members effective July 1, 2006 and created a Teachers’ Retirement System Defined Contribution Retirement Plan (TRS-DCR). Information regarding TRS-DCR is disclosed in Note 8.

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 originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, JRS and EPORS Plans. Due to the establishment of the Alaska Retiree Health Care Trust effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains 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 TRS-DB Plan is a plan within the Teachers’ Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. TRS includes the TRS-DB and Alaska Retiree Healthcare Trust Fund. Senate Bill 123 was passed during the 2007 legislative session and created the Alaska Retiree Healthcare Trust (ARHCT). ARHCT is self-funded and provides major medical coverage to retirees of TRS. TRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The TRS component unit is comprised of the TRS-DB, TRS-DCR Plans, and ARHCT. 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. Participants should refer to the plan agreement for more complete information. 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, 2011 the number of participating employers was:

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

TRS-DB Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional one percent of their salary under the supplemental contribution provision.

The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2011 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year.

The state’s contributions to TRS-DB for the fiscal years ended June 30, 2011, 2010, and 2009 were \$6.0, \$6.1, and \$6.3, million respectively, equal to the required contributions for each year. For the FY 11 contributions, \$2.6 million was for pensions and \$3.4 million was for postemployment benefits. The contributions were equal to the required contributions in FY 11.

Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 as funds become available for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the TRS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year.

Chapter 41 SLA 2010 appropriated \$190.9 million from the General Fund to the TRS-DB as an additional state contribution for FY 11. The portion of this payment attributable to State of Alaska employers is \$12,754 thousand, of which \$7,306 thousand is for pensions and \$5,448 thousand is for postemployment benefits.

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.

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.

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 originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, JRS and EPORS Plans. Due to the establishment of the Alaska Retiree Health Care Trust effective

July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains 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.

Senate Bill 123 was passed during the 2007 legislative session and which created the Alaska Retiree Healthcare Trust (ARHCT) beginning July 1, 2007. The ARHCT is self-funded and provides major medical coverage to retirees of the JRS. JRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

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

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

Members contribute seven percent of their compensation to JRS. The contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years, or from members first appointed before July 1, 1978.

The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2011, was 36.2 percent of compensation. Total contributions for FY 11 were \$4.5 million for pensions, and \$.7 million for postemployment benefits.

Included in these amounts is \$789 thousand appropriated in Chapter 41 SLA 2010 from the General Fund to JRS as an additional state contribution for FY 11.

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
2006	\$ 77,311	\$ 111,820	\$ (34,509)	69.1%	\$ 7,131	(484.0%)
2008	122,883	130,596	(7,713)	94.1%	10,462	(73.7%)
2010	115,000	164,524	(49,524)	69.9%	11,846	(418.1%)

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
2006	\$ 2,399	\$ 17,794	\$ (15,395)	13.5%	\$ 7,131	(215.9%)
2008	18,353	19,941	(1,588)	92.0%	10,462	(15.2%)
2010	19,694	22,346	(2,652)	88.1%	11,846	(22.4%)

The actuarial valuation as of June 30, 2010 set the contribution rates for the year ended June 30, 2011. The State of Alaska's net pension obligation for FY 11 follows (in thousands):

	<u>Pension</u>	<u>OPEB</u>
Annual Required Contribution	\$ 5,237	\$ 1,433
Interest on net pension asset	62	(7)
Adjustment to annual required contribution	<u>(53)</u>	<u>6</u>
Annual Pension Cost (APC)/OPEB Cost (AOC)	5,246	1,432
Contributions Made	<u>(4,456)</u>	<u>(708)</u>
Increase in Obligation	790	724
Net Pension Obligation/(Asset) Beginning of Year	<u>751</u>	<u>(82)</u>
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ 1,541</u></u>	<u><u>\$ 642</u></u>

Three year trend information for these obligations follows (in thousands):

Pension	<u>Year Ended June 30</u>	<u>APC</u>	<u>Percentage of APC Contributed</u>	Net
				<u>Pension Obligation/(Asset)</u>
	2009	\$ 4,952	95.5%	\$ (772)
	2010	5,248	71.0%	751
	2011	5,246	85.0%	1,541

OPEB	<u>Year Ended June 30</u>	<u>AOC</u>	<u>Percentage of AOC Contributed</u>	Net OPEB
				<u>Obligation/(Asset)</u>
	2009	\$ 1,422	99.2%	\$ (725)
	2010	1,443	55.4%	(82)
	2011	1,432	49.4%	642

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 of Alaska 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 sufficient to accumulate assets to pay benefits when due. State contributions are determined using the entry age normal actuarial funding method.

Chapter 41 SLA 2010 appropriated \$84 thousand from the General Fund to the NGNMRS's as an additional state contribution for FY 11.

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
2006	\$ 15,588	\$ 25,458	\$ (9,870)	61.2%
2008	28,371	28,905	(534)	98.2%
2010	32,001	30,034	(1,966)	106.5%

The actuarial valuation as of June 30, 2010 set the contribution rates for the year ended June 30, 2011. The State of Alaska's net pension obligation for FY 11 follows:

Annual Required Contribution	\$ 2,415,077
Interest on net pension asset	(15,669)
Adjustment to annual required contribution	29,944
Annual Pension Cost (APC)	2,429,352
Contributions Made	(2,603,300)
Decrease in Net Pension Asset	(173,948)
Net Pension Obligation/(Asset) Beginning of Year	(189,923)
Net Pension Obligation/(Asset) End of the Year	\$ (363,871)

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2009	\$ 2,473	100.0%	(2)
2010	2,415	107.8%	(190)
2011	2,415	107.2%	(364)

The Elected Public Officers Retirement System (EPORS)

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

Plan members contribute seven percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the State for EPORS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$2.0 million, \$2.1 million, and \$1.8 million. In FY 11 there was no covered payroll. 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, 2010.

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
2006	\$0	\$16,265	\$(16,265)	0.0%
2008	0	22,194	(22,194)	0.0%
2010	0	19,551	(19,551)	0.0%

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)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	\$0	\$2,983	\$(2,983)	0.0%
2008	0	5,168	(5,168)	0.0%
2010	0	4,707	(4,707)	0.0%

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.

Three year trend information for these obligations follows (in thousands):

Pension	Year Ended June 30	APC	Percentage of APC	Net Pension Obligation
			Contributed	/(Asset)
	2009	\$ 1,408	100.0%	\$ -
	2010	1,617	100.0%	-
	2011	1,510	100.0%	-

OPEB	Year Ended June 30	AOC	Percentage of AOC	OPEB Obligation
			Contributed	/(Asset)
	2009	\$ 424	100.0%	\$ -
	2010	463	100.0%	-
	2011	483	100.0%	-

ASSET VALUATION

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

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$11,398,716
Teachers' Retirement System	4,733,277
Judicial Retirement System	130,975
Alaska National Guard and Alaska Naval Militia Retirement System	32,995

PLAN MEMBERSHIPS

The table below includes the plan membership counts. For PERS, TRS and JRS, the counts are from the notes to the separately issued financial statements for the various plans. NGNMRS and EPORS are as of the most recent valuation report date.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>
	6/30/10	6/30/10	6/30/10	6/30/10	6/30/10
Retirees & beneficiaries receiving benefits & Terminated members with future benefits	32,490	11,438	103	1,798	37
Current active employees:					
Vested	21,477	5,959	45	*	-
Nonvested	4,965	1,873	27	4,085	-
Total	<u>58,932</u>	<u>19,270</u>	<u>175</u>	<u>5,883</u>	<u>37</u>

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

FUNDING STATUS AND PROGRESS

Actuarial Method and Assumptions

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

The following main assumptions were used in the actuarial valuation.

System	Investment Rate of Return	Actuarial Cost Method	Amortization Method	Equivalent Single Amortization Period	Salary Scale Increase	Valuation Date																					
PERS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	19 years	Peace Officer/Firefighter: Merit –2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of services, 1.50% grading down to 0% Productivity – 0.5% per year.	6/30/2010																					
TRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	19 years	6.11% for first 5 years of service grading down to 3.2% after 20 years	6/30/2010																					
JRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay for pension; level dollar for healthcare	Level dollar, closed	21 years	4.12%	6/30/2010																					
NGNMRS	7% Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	6/30/2010																					
EPORS	4.75% Includes Inflation at 3.12%	Entry age	Level dollar basis	25 years	None	6/30/2010																					
Health Care Inflation																											
<hr/>																											
<table border="0"> <tr> <td></td> <td></td> <td style="text-align: center;"><u>Medical</u></td> <td style="text-align: center;"><u>Rx</u></td> <td colspan="3"></td> </tr> <tr> <td>For all systems above:</td> <td>FY11</td> <td style="text-align: center;">6.90%</td> <td style="text-align: center;">8.30%</td> <td colspan="3"></td> </tr> <tr> <td></td> <td>FY12</td> <td style="text-align: center;">6.40%</td> <td style="text-align: center;">7.10%</td> <td colspan="3"></td> </tr> </table>									<u>Medical</u>	<u>Rx</u>				For all systems above:	FY11	6.90%	8.30%					FY12	6.40%	7.10%			
		<u>Medical</u>	<u>Rx</u>																								
For all systems above:	FY11	6.90%	8.30%																								
	FY12	6.40%	7.10%																								

For PERS, TRS, and JRS assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets. NGNMRS and JRS assets valuation was changed from using the market value of assets without smoothing of gains and losses to a five year smoothing asset valuation method. This method is being phased in over five years with the first phase-in recognized during FY 07.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial report purposes are based on the substantive plan and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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 \$844.9 thousand in FY 11.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

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

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

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 7), PERS-DCR Plans, and the PERS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupational Death and Disability. PERS is reported as a pension (and other employee benefit) trust fund by the State. PERS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2011, there were 160 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 554 terminated plan members entitled to future benefits, and 11,182 active members, of which 10,409 are general employees and 773 are peace officers and firefighters.

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

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 11 for each member's compensation was 0.55 percent for medical coverage and 0.31 percent for death and disability (1.18 percent for peace officers and firefighters). HRA is \$143.40 per month for full time employees and \$1.10 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2011 by the employees were \$20,018 thousand and the State of Alaska employers were \$12,507 thousand. The PERS other postemployment contributions for the year ended June 30, 2011 were \$10,333 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2011 is \$256,101 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

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

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

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 7), TRS-DCR Plans, TRS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupation Death and Disability. TRS is reported as a pension (and other employee benefit) trust fund by the State. TRS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2011, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 502 terminated plan members entitled to future benefits, and 2,738 active members.

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

On July 1, 2006, two pension trust sub-funds were created in TRS, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). The TRS Occupational Death and Disability (OD&D) trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 11 for each member's compensation was 0.68 percent for medical coverage, 0.28 percent for death and disability. HRA is \$143.40 per month for full-time employees and \$1.10 per hour for part-time employees.

The TRS pension contributions for the year ended June 30, 2011 by the employees were \$309 thousand and the State of Alaska employers were \$270 thousand. The TRS other postemployment contributions for the year ended June 30, 2011 were \$130 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2011 is \$107,951 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Supplemental Benefits System

In addition to the pension plans (note 7) and deferred compensation plan (note 9), all state employees, as well as employees of political subdivisions which 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, 2011, there were nineteen other employers participating in SBS. There were approximately 39,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. Through September 30, 2005, the Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in SBS. Effective October 1, 2005, ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ending January 31, 2011, were \$144,555 thousand. The State's covered payroll was approximately \$1,179,079 thousand.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2011, were \$3,944 thousand.

Employees are eligible to withdraw from the Supplemental Annuity Plan 60 days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from Plan assets. The SBS administrator issues lump-sum payments through its contracted record keeper.

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

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2011. 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, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

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 \$998 thousand in FY 11.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long-term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a 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, 2010 the Deferred Compensation Plan had approximately 9,000 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 law, under an eligible 457 plan must be held in a trust for the exclusive benefit of employees and beneficiaries. This law repealed the requirement that a Section 457 plan sponsored by a government be solely the property of the employer, subject only to the claims of the employer's general creditors. The trust requirement generally applies to assets and income held by a plan on and after the date of enactment of the SBJPA. The Plan Document for the State of Alaska Deferred Compensation Plan was amended to recognize and establish the trust requirement for the Deferred Compensation Plan.

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and recordkeeping. The Alaska Retirement Management Board is responsible for the specific investment of monies in the Deferred Compensation Plan.

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

Deferred Compensation Plan net assets as of December 31, 2010 were \$583,348 thousand. The Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2011, 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	\$ -	\$ 401,739	\$ 51	\$ 4,862	\$ 24,549	\$ 431,201
Alaska Permanent Fund	813,404	-	-	-	-	813,404
Nonmajor						
Governmental Funds	11,329	-	-	-	-	11,329
International Airports	64,566	-	-	-	-	64,566
Nonmajor						
Enterprise Funds	2,832	-	-	-	-	2,832
Internal Service Funds	1,566	-	-	-	-	1,566
Fiduciary Funds	16,427	-	-	-	-	16,427
Other	20,165	3,719	42	(193)	(5)	23,728
Total	<u>\$ 930,289</u>	<u>\$ 405,458</u>	<u>\$ 93</u>	<u>\$ 4,669</u>	<u>\$ 24,544</u>	<u>\$ 1,365,053</u>

The \$813 million balance due from the Alaska Permanent Fund to the General Fund includes \$758.4 million for payment of 2011 Permanent Fund dividends to qualified residents of the State and \$12.8 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2011 Permanent Fund Dividend Program.

The majority of the “Other” due from Other Funds and due to Other Funds balances are attributable to FY 11 activity during the reappropriation period in July and August 2011 that caused the movement of cash balances between funds after June 30, 2011. The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2011.

INTERFUND TRANSFERS

Transfers From	Transfers to						Total
	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ -	\$ 444,491	\$ 2,243	\$ 39	\$ 12,975	\$ 77	\$ 459,825
Alaska Permanent Fund	813,404	-	-	-	-	-	813,404
Nonmajor							
Governmental Funds	-	14,873	-	-	-	-	14,873
International Airports	14	-	-	-	-	(14)	-
Nonmajor Enterprise Funds	921	-	-	-	-	51	972
Fiduciary Funds	3,738	-	-	-	-	(3,738)	-
Total	<u>\$ 818,077</u>	<u>\$ 459,364</u>	<u>\$ 2,243</u>	<u>\$ 39</u>	<u>\$ 12,975</u>	<u>\$ (3,624)</u>	<u>\$ 1,289,074</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 an \$800.6 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$12.8 million transfer to the Alaska Capital Income Fund.

The transfer from International Airports to "Other" represents an amount for the Art in Public Places Fund not reported as a transfer out in the International Airports Fund.

The transfer from the fiduciary funds to "Other" represents the activity to the General Fund not reported in the financial statements.

The transfer from a Nonmajor Enterprise, the Unemployment Compensation Fund, to "Other" represents the difference between the General fund and the Nonmajor Enterprise Fund.

The transfer from General Fund to "Other" represents transfers to Knik Arm Bridge and Toll Authority and the Group Health and Life Benefits fund for employer relief not recorded as a transfer in on the financial statements of those funds.

The transfer from the General Fund to Nonmajor Governmental Funds includes \$400 million to the Alaska Housing Capital Corporation.

NOTE 11 – RELATED PARTY ACTIVITY

Pursuant to understanding and agreements between the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), AIDEA provides administrative, treasury, personnel, data processing, communications and other services to AEA. During FY 11, AEA expensed \$5.7 million for such services. During FY 11, AEA capitalized \$14 thousand for such services. AEA has a borrowing arrangement with AIDEA to provide working capital funds. At June 30, 2011 AEA had \$1.7 million payable to AIDEA for services and borrowings.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of \$24,254 thousand, plus accrued interest, for \$20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default.

On July 17, 2009, the Alaska Student Loan Corporation (ASLC) entered into a Trust and Loan Agreement with the State of Alaska Department of Revenue. The Loan Agreement provides up to \$100 million to ASLC for the purposes of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal balance using a variable rate of interest equal to the most current rolling five-year average return on the State's General Fund. The interest rate is reset annually and was 4.4 percent for FY 11. Interest is payable semi-annually in January and July. The loan is a limited obligation secured by pledged assets. ASLC has the right to prepay the loan, in whole or in part, at any time, without penalty or premium. The Trust Agreement was entered into to secure payment of the loan. Loan proceeds drawn are deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the trust. The loan payable was \$67.5 thousand at June 30, 2011.

Northern Tobacco Securitization Corporation (NTSC) entered into a Memorandum of Agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that are required by NTSC to prepare, execute, file or deliver pursuant to the bond indentures and the related agreements for a monthly fee. NTSC also entered into a Sub-Lease Agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June 30, 2011 was approximately \$9 thousand.

NOTE 12 – 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, 2011, is \$23,480 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2011. 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 11 expended for school debt was \$99,461 thousand, 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 \$1,172,799 thousand. 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 11, 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, \$750 thousand for marine risks, and \$250 thousand per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$500 million per occurrence for marine, \$200 million for property, and \$500 million for aviation.

Both domestic and international insurance companies and various Lloyd’s of London underwriting syndicates participate in the State of Alaska’s excess insurance program. Independent brokers provide marketing. The state obtains an annual independent actuarial assessment of the state insurance program as required by AS 37.05.287(b) which calculates unfunded claims and allocated loss adjustment expenses (ALAE).

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2010 and June 30, 2011. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management is presented at their present value using a 3.0 percent discount interest rate for FY 10 and a 3.0 percent discount interest rate for FY 11. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting).

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2010	\$ 63,158,406	\$ 41,560,102	\$ (32,517,581)	\$ 72,200,927
2011	72,200,927	35,340,735	(35,074,642)	72,467,020

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 \$1,990 thousand, with an additional possible liability of \$5,669 thousand. 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, 2011, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2011, the Alaska Clean Water and the Alaska Drinking Water Funds have entered into binding commitments, as evidenced by signed loan agreements, for which funds remain to be disbursed totaling \$72,550 thousand and \$31,277 thousand respectively.

At June 30, 2011, the Alaska Energy Authority had open loan commitments of \$23,516 thousand.

At June 30, 2011, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments of \$19,328 thousand and loan guarantees of \$614 thousand. Under an agreement dated August 2009, AIDEA agreed to sell the Healy Project to Tri-VEC for \$50 million, finance the sale, and loan up to an additional \$45 million to refurbish, put into operation, and integrate the Healy Project into Golden Valley Electric Association's system.

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 million. No loans have been made pursuant to this authorization.

During 2011 the State legislature appropriated \$2,450 thousand to the Alaska Municipal Bond Bank Authority to issue a 15 year, one percent interest loan to the City of Galena to retire existing debt obligations and make certain utility improvements.

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	Amounts in thousands			
	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships Withdrawn annually in December with 90-days notice.	\$ 54,668	\$ 22,765	\$ 626	\$ 172
Limited Partnerships To be paid through 2020.	636,963	264,674	7,271	-
To be paid through 2019.	50,020	20,588	605	-
Real Estate Investment To be paid through 2018.	96,137	38,909	1,018	-
	<u>\$ 837,788</u>	<u>\$ 346,936</u>	<u>\$ 9,520</u>	<u>\$ 172</u>

I. POLLUTION REMEDIATION

Governmental Accounting Standards Board Statement (GASBS) 49 provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASBS 49 does not require the state to search for pollution, it does require the state to reasonably estimate and report a remediation liability when an obligating event occurs.

The State has the knowledge and expertise to estimate the remediation obligations presented in the statements based on prior experience in identifying and funding similar remediation activities. The standard requires the State to calculate pollution remediation liabilities using the expected cash flow technique. Where the State cannot reasonably estimate a pollution remediation obligation, it does not report a liability. This has occurred within two funds.

The Alaska Mental Health Trust Authority (AMHTA) has been notified by State agencies of possible obligations for pollution remediation activities on specifically identified parcels of AMHTA lands. There are several sites used by previous parties that require environmental review, subsequent remedial investigations and feasibility study and remediation and restoration of the sites. AMHTA intends to seek reimbursement of pollution remediation costs from responsible parties and any remaining costs will be recognized by the Trust. While an obligating event, as defined by GASBS 49 has occurred, no liability has been recognized by AMHTA because the amounts are not material to the financial statements.

The University of Alaska received a potentially responsible party letter from the Alaska Department of Environmental Conservation in August of 2006. The letter identified the University of Alaska as one of the potential parties that may be responsible for cleanup of costs of soil contamination found during a water line improvement project next to Northwest Campus property. The extent of the contamination source, the number of potentially responsible parties, and remediation costs are being assessed but the outcome is unknown.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations or other factors. Prospective recoveries from responsible parties may reduce the State's obligation.

At July 1, 2010, the General Fund had pollution remediation obligations of \$53,316 thousand. As of June 30, 2011, the state had an increase to the obligation of \$44,319 thousand and recognized a decrease of \$23,603 thousand, for an ending balance of \$74,032 thousand in pollution remediation obligation related activities. The state has an estimated potential recovery of \$19,707 thousand from other responsible parties.

At July 1, 2010, the International Airports Fund (IAF) reported pollution remediation liabilities of \$1,429 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2011 IAF had recognized a decrease of \$116 thousand, including an estimate of \$30 thousand expected to be collected from third parties, for an ending balance of \$1,313 thousand. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for five sites. IAF has also identified 22 other sites for which it is in whole or in part a responsible party, but for which no obligating event has occurred.

At December 31, 2009, the Alaska Railroad Corporation had pollution remediation obligations of \$2,353 thousand. As of December 31, 2010, the Alaska Railroad Corporation had additional obligations of \$1,500 thousand and reductions in obligations of \$1,537 thousand, for an ending liability of \$2,316 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

J. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations.

The following shows encumbrances within the restricted and committed fund balances of the governmental funds for the fiscal year ended June 30, 2011 (in thousands):

	<u>Amount</u> <u>(in thousands)</u>
General Fund	\$ 1,114,507
Alaska Permanent Fund	-
NonMajor Governmental Funds	<u>218,008</u>
Total Encumbrances	<u>\$ 1,332,515</u>

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2011, the Alaska Municipal Bond Bank Authority (AMBBA) issued a preliminary statement for the potential upcoming 2011-Series Three Bond issuance. The 2011-Series Three Bond will be approximately \$80 million in size and will require a reserve deposit of an estimated \$7.2 million. This bond will be used to cover various capital improvements and will be loaned to the City of Cordova, City of Hoonah, Kenai Peninsula Borough, Kodiak Island Borough, City of Seward and the Municipality of Skagway. A portion of the 2011-Series Three Bond proceeds will be used to refund and redeem certain outstanding bonds of the Bond Bank.

On August 17, 2011 AMBBA entered into a Memorandum of Understanding (MOU) with the State of Alaska regarding a loan in the amount of \$7 million to potentially cover the reserve requirements for the 2011-Series Three Bond issuance. The executed MOU would be effective September 1, 2011, with a five year term, bearing interest at a rate earned by the General Fund over the term of the loan. There would be no prepayment penalty, and it may be paid in periodic installments or in full at the end of the term of the loan.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2011 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for fiscal year 2012 in an amount not to exceed \$2,439 thousand. Although this transaction has not yet been finalized, the issuance of the bonds will occur in mid-fiscal year 2012. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2011 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for fiscal year 2012 in an amount not to exceed \$2,715 thousand. Although this transaction has not yet been finalized, the issuance of the bonds is expected to occur in mid-fiscal year 2012. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. UNIVERSITY OF ALASKA

On October 5, 2011 the University sold competitively general revenue bonds with a par amount of \$48,870 thousand and a 20 year term. The bonds fund a portion of the Fairbanks campus Life Sciences Facility, numerous deferred maintenance projects and a food service project on the Juneau campus. Bond closing is scheduled for October 25, 2011.

E. U.S. CREDIT RATING

On August 5, 2011, Standard & Poor's downgraded its long-term sovereign credit rating on U.S. issued and U.S. backed securities from AAA to AA+. If this event had occurred prior to fiscal year end, then the U.S. securities shown in Note 4 would have been reported with a rating of AA.

F. GOVERNMENTAL ACTIVITIES - LONG-TERM LIABILITIES

The State of Alaska defeased \$20.6 million of the Anchorage Jail capital lease obligations in October 2011.

Certificates of Participation totaling \$22 million for the Alaska Psychiatric Institute, the Seafood Safety Lab, and the Virology Lab were defeased in November 2011.

G. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

As of November 2011, the Alaska Industrial Development and Export Authority finalized an agreement to have a partial ownership position in a limited liability company that will own an oil and gas drilling rig. AIDEA signed an agreement to invest up to \$30,000,000 in a joint project formed to acquire, modify, and mobilize a specifically identified drilling rig to be used in the Cook Inlet and other Alaska waters if certain conditions are met. Approximately \$600,000 at June 30, 2011 had been spent by the Authority in transaction related costs. The conditions precedent were met subsequent to June 30, 2011 and AIDEA closed the deal on November, 14 2011, funding \$17.6 million of a total investment of what will be nearly \$24 million.

NOTE 14 – SPECIAL ITEMS

A. ALASKA HOUSING FINANCE CORPORATION

On June 17, 2011 the Alaska Housing Finance Corporation sold its land on 34th Avenue, with a cost of \$1,459 thousand for \$4,547 thousand resulting in a special item gain of \$3,088 thousand.

B. ALASKA STUDENT LOAN CORPORATION

The Alaska Student Loan Corporation purchased \$35,600 thousand of its outstanding auction rate securities on September 20, 2010, for \$30,866 thousand. On September 20, 2010, the Alaska Student Loan Corporation cancelled the bonds purchased resulting in a gain on the cancellation of \$4,734 thousand.

C. ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

The Alaska Natural Gas Development Authority (ANGDA) has determined that the leg of the B2F pipeline between Delta Junction and Fairbanks (North Pole) should be removed from the spurline project definition. Therefore, a mileage-based percentage of the B2F capital expenditures were determined to be impaired. As a result a total of \$810 thousand was written off as an impairment expense in FY 11.

Required Supplementary Information



STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 3,505,358	\$ 3,505,168	\$ 5,031,922	\$ (1,526,754)
Licenses and Permits	57,813	57,476	117,310	(59,834)
Charges for Services	155,646	149,712	179,309	(29,597)
Fines and Forfeitures	15,700	15,700	11,574	4,126
Rents and Royalties	1,579,863	1,579,546	1,855,331	(275,785)
Premiums and Contributions	570	528	17,787	(17,259)
Interest and Investment Income	800,437	800,437	1,158,989	(358,552)
Other Revenues	5,812	5,812	13,521	(7,709)
Restricted:				
Federal Grants in Aid	7,188,681	7,299,830	2,270,882	5,028,948
Interagency	846,887	1,142,342	770,048	372,294
Payments In from Component Units	100,337	100,337	42,866	57,471
Other Revenues	6,203	6,203	1,161	5,042
Total Revenues	<u>14,263,307</u>	<u>14,663,091</u>	<u>11,470,700</u>	<u>3,192,391</u>
EXPENDITURES				
Current:				
General Government	778,493	762,346	572,238	190,108
Alaska Permanent Fund Dividend	827,503	827,503	817,894	9,609
Education	1,063,018	2,213,829	2,117,086	96,743
University	719,418	750,221	436,129	314,092
Health and Human Services	2,982,083	3,108,625	2,581,032	527,593
Law and Justice	282,221	300,314	266,323	33,991
Public Protection	1,077,359	1,182,467	1,008,601	173,866
Natural Resources	640,622	656,723	382,956	273,767
Development	868,383	1,079,013	620,630	458,383
Transportation	6,143,661	6,354,412	4,374,663	1,979,749
Intergovernmental Revenue Sharing	136,379	196,389	193,481	2,908
Debt Service:				
Principal	17,802	17,802	7,174	10,628
Interest and Other Charges	1,811	1,811	1,811	-
Total Expenditures	<u>15,538,753</u>	<u>17,451,455</u>	<u>13,380,018</u>	<u>4,071,437</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,275,446)</u>	<u>(2,788,364)</u>	<u>(1,909,318)</u>	<u>(879,046)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	2,659,509	4,195,731	4,194,858	873
Transfers (Out to) Other Funds	<u>(4,274,219)</u>	<u>(4,274,219)</u>	<u>(4,274,219)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(1,614,710)</u>	<u>(78,488)</u>	<u>(79,361)</u>	<u>873</u>
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis	<u>\$ (2,890,156)</u>	<u>\$ (2,866,852)</u>	<u>(1,988,679)</u>	<u>\$ (878,173)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances Basis Difference			3,890,437	
			<u>344,178</u>	
Excess (Deficiency) of Revenues, GAAP Basis			2,245,936	
Fund Balances - Beginning of Year			15,536,136	
Fund Balances - End of Year			<u>\$ 17,782,072</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2011**

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 99811-0204, or may be viewed online at <http://doa.alaska.gov/dof/reports/cafr.html>.

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$ 351,007
Medical Assistance Program	3,920
Working Reserve	(6,650)
Tobacco Tax	510
Alcohol Tax	125
Tire Tax	(5)
Vehicle Rental Tax	137
Commercial Passenger Vessel Excise Tax	(4,866)
Total General Fund Basis Difference	<u>\$ 344,178</u>



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Combining Fund Statements





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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.

- **Abandoned Motor Vehicles Fund (Fund 11211)** – AS 28.11.110 – Administered by the Department of Administration. This fund consists of money appropriated to the fund by the legislature and proceeds from the sale of abandoned motor vehicles. This fund was created to reimburse payment of services associated with impounding, advertising, and selling abandoned vehicles.
- **Adak Airport Operations Fund (Fund 11181)** – PL 101-510 – The Alaska Department of Transportation and Public Facilities and the United States Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Naval 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 37.05.565 – 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 covering annual debt service and reserves for debt service on bonds authorized by state law.
- **Alaska Children's Trust Fund (Fund 34050)** – AS 37.14.200 – Administered by the Department of Health and Social Services and the Alaska Children's Trust Board established in the Office of the Governor. The income from this endowment is used to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.
- **Alaska Debt Retirement Fund (Fund 11138)** – AS 37.15.011 – The fund consists of all money appropriated to it. The fund was established to help meet the General Fund debt obligations of the State and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- **Alaska Gasline Inducement Act Reimbursement (Fund 11188)** – AS 43.90.400 – Administered by the Office of the Governor. This fund consists of money appropriated to it by the legislature for reimbursing a percentage of qualified expenditures as authorized under AS 43.90.110. These state matching contributions serve as an inducement to aid in the construction of a natural gas pipeline.
- **Alaska Historical Commission Receipts Account (Fund 11111)** – AS 41.35.380 – Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- **Alaska Marine Highway System Fund (Fund 12149)** – 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 Senior Care Fund (Fund 11182)** – AS 47.45.360 – Administered by the Department of Health and Social Services. The fund is used to pay for the costs incurred in the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as authorized under AS 47.45.300 – 47.45.390.
- **Alaska Technical and Vocational Education Program Fund (Fund 11166)** – AS 23.15.830 – Administered by the Department of Labor and Workforce Development. The fund consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the fund to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the fund to the Unemployment Compensation Fund established in AS 23.20.130.
- **Alaska Transportation Infrastructure Bank (Fund 21653)** – Section 350 of the National Highway System Designation Act of 1995 Federal Law – Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.
- **Alaska Veterans’ Memorial Endowment (Fund 36010)** – AS 37.14.700(a) – Administered by the Department of Military and Veterans’ Affairs. The fund is used to maintain and develop veteran 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.
- **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.
- **Civil Legal Services Fund (Fund 12154)** – AS 37.05.590 – The fund consists of appropriations made to it. Annually, the legislature may only appropriate to the fund amounts deposited into the general fund of the state under AS 09.17.020(j). The legislature may make appropriations from the fund to organizations that provide civil legal services to low-income individuals.
- **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.
- **Commercial Vessel Taxes Fund (Fund 11203)** – AS 43.35.220, AS 43.52.230(a) – Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state’s marine water, and proceeds on gambling activities on large

passenger vessels in the state. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce, and such other lawful purposes as determined by the legislature.

- **Community Revenue Sharing Fund (Fund 11200)** – AS 29.60.850 - Administered by the Department of Commerce, Community and Economic Development. The Fund provides community revenue sharing payments to municipalities, reserves, and communities for any public purpose. The fund consists of appropriations. Income earned on money in the fund may be appropriated to the fund. The legislature may appropriate 20 percent of the money received by the State during the previous calendar year under AS 43.55.011(g).
- **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.
- **Crime Victims Compensation Fund (Fund 11207)** – AS 18.67.162 – Administered by the Department of Public Safety, Crime Victims Compensation Board. This fund consists of all money appropriated to it, including donations, recoveries of or reimbursements of awards made from the fund and investment income. The purpose of the fund is to facilitate and permit the payment of compensation to innocent persons as a result of certain serious crimes.
- **Disaster Relief Fund (Fund 12120)** – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the State.
- **Donated Commodity Fee Fund (Fund 11120)** – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- **Educational Facilities Maintenance and Construction Fund (Fund 11142)** – AS 37.05.560 – Administered by the Department of Education and Early Development. Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.
- **Election Fund (Fund 11179)** – Federal H.R. 3295, “The Help America Vote Act” – Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- **Employment Assistance and Training Program Account (Fund 11134)** – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the Unemployment Compensation Fund established in AS 23.20.130.
- **Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund (Fund 11161)** – AS 44.33.115 – Administered by the Department of Commerce, Community, and Economic Development. The department may use the fund to make grants to unincorporated rural communities in the area affected by the Exxon Valdez oil spill for capital projects for purposes of restoring, replacing, or enhancing subsistence resources or services or other services damaged or lost as a result of the Exxon Valdez oil spill.
- **FHWA - Airspace Leases Fund (Fund 11126)** – Section 156 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 requires that the State shall charge fair market value for the sale, use, or lease rentals of right-of-way airspace and that the federal share of these net incomes be used by the State for highway projects. This fund accounts for those revenues. The revenues are available for appropriation by the legislature for highway projects.
- **FICA Administration Fund (Fund 11110)** – AS 39.30.050 – Administered by the Department of Administration. The fund consists of the pro rata share of expenses incurred in the administration of 39.30.010 – 39.30.080 and collected from participating political subdivisions and from the State.

- **Fisheries Disaster Fund (Fund 11180)** – PL 108-7, SEC 2, Division N, Title V – Fisheries Disasters, Sec. 501(a) – Administered by the Office of the Governor. \$35,000,000 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities that have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.
- **Fuel Emergency Fund (Fund 11125)** – AS 26.23.400 – Administered by the Office of the Governor. This fund is used when the governor determines that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a city or borough, or to a village or unincorporated community to purchase emergency supplies of fuel.
- **Fund for the Improvement of School Performance (Fund 11145)** – AS 14.03.125 – Administered by the Department of Education and Early Development. It is used to make grants to a district located in the State for the purpose of improving school performance.
- **Major Maintenance Grant Fund (Fund 11144)** – AS 14.11.007 – Administered by the Department of Education and Early Development. The fund is used to make grants for the cost of school major maintenance.
- **Memorial Education Revolving Loan Fund (Fund 21611)** – AS 14.43.255 – Administered by the Department of Education and Early Development. The fund was created to pay tribute to the memory of Alaskans who, by example of their lives, or by their distinguished contribution and service to the State, their community, or their profession, exemplified the best that is the challenge of “The Great Land.” The funds shall be used to provide education loans to students selected under AS 14.43.250-325.
- **Municipal Capital Project Matching Grant Fund (Fund 11146)** – AS 37.06.010 – Administered by the Department of Commerce, Community, and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- **Municipal Harbor Facility Grant Fund (Fund 11187)** – AS 29.60.800 – Administered by the Department of Transportation and Public Facilities. The money appropriated to the fund may be expended by the department for municipal harbor grants.
- **Oil and Gas Tax Credit Fund (Fund 11189)** – AS 43.55.028 – Administered by the Department of Revenue. The purpose of this fund is to purchase certain transferable tax credit certificates issued under AS 43.55.023 and certain production tax credit certificates issued under AS 43.55.025. The fund consists of money appropriated to it, including any appropriation of the percentage provided under (c) of this section of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund established in art. IX, sec. 17 (a), Constitution of the State of Alaska; and earnings on the fund.
- **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.

- **Originator Surety Fund (Fund 11202)** – AS 06.60.500 – Administered by the Department of Commerce Community and Economic Development. This fund consists of payments made by originator licensees under AS 06.60.550, filing fees retained under AS 06.60.620, income earned on the investment of the money in the fund, and money deposited in the fund by the department under AS 06.60.740.
- **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 Recovery 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.
- **Regional Cruise Ship Impact Fund (Fund 11205)** – AS 43.52.230(c) – Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state’s marine water. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign, commerce, and such other lawful purposes as determined by the legislature.
- **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 income from former public school trust land, the status of which is in litigation.
- **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.
- **Statutory 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.

- **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 Trans-Alaska Pipeline Liability (TAPS) 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.
- **Trauma Care Fund (Fund 11208)** – AS 18.08.085 – Administered by the Department of Health and Social Services. This fund consists of money appropriated to it by the legislature including donations, recoveries of or reimbursements for awards made from the fund and investment income. The purpose of this fund is to compensate certified trauma centers in the state that receive a special designation under AS 18.08.082(c) and that achieve or maintain the highest appropriate level of trauma care designation.
- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 11116)** – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Compensation Benefits Guaranty Fund (Fund 11186)** – AS 23.30.082 – Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **Workers' Safety and Compensation Administration Account (Fund 11173)** – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the State for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.





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STATE OF ALASKA
Combining Balance Sheet
General Fund
June 30, 2011
(Stated in Thousands)

STATEMENT 3.01

	General Fund		
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund
ASSETS			
Cash and Investments	\$ 10,205,801	\$ 2,247,547	\$ 17,122
Accounts Receivable - Net	1,216	-	-
Interest and Dividends Receivable	124,222	-	2
Due from Other Funds	18,033	385,097	800,613
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	-	-
Inventories	-	-	-
Other Assets	-	-	15
Total Assets	\$ 10,349,272	\$ 2,632,644	\$ 817,752
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 9,077
Due to Other Funds	-	-	377
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned and Deferred Revenue	823	-	-
Other Liabilities	-	-	3
Total Liabilities	823	-	9,457
Fund Balances:			
Nonspendable:			
Compensating Balances	-	-	-
Inventory	-	-	-
Advances and Prepaid Items	-	-	-
Restricted for:			
Debt Service	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Development	-	-	-
Other Purposes	-	-	-
Committed to:			
Debt Service	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Public Protection	-	-	-
Permanent Fund	-	-	808,295
Development	-	-	-
Other Purposes	-	-	-
Unassigned	10,348,449	2,632,644	-
Total Fund Balances	10,348,449	2,632,644	808,295
Total Liabilities and Fund Balances	\$ 10,349,272	\$ 2,632,644	\$ 817,752

STATEMENT 3.01

Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 1,187,984	\$ 3,992,408	\$ -	\$ 17,650,862
297	704,997	-	706,510
-	2,048	-	126,272
-	130,262	(403,716)	930,289
-	87,038	-	87,038
-	588,980	-	588,980
-	20,356	-	20,356
-	15,877	-	15,877
-	26,579	-	26,594
<u>\$ 1,188,281</u>	<u>\$ 5,568,545</u>	<u>\$ (403,716)</u>	<u>\$ 20,152,778</u>
\$ 112	\$ 898,064	\$ -	\$ 907,253
-	834,540	(403,716)	431,201
-	404,859	-	404,859
-	34	-	34
-	625,810	-	626,633
-	723	-	726
<u>112</u>	<u>2,764,030</u>	<u>(403,716)</u>	<u>2,370,706</u>
-	100,000	-	100,000
-	15,877	-	15,877
-	30,648	-	30,648
-	1,994	-	1,994
-	11,793	-	11,793
-	532	-	532
-	114,982	-	114,982
-	5,562	-	5,562
-	11,659	-	11,659
1,188,169	217,519	-	1,405,688
-	151,654	-	151,654
-	150,496	-	150,496
-	-	-	808,295
-	1,788,501	-	1,788,501
-	132,680	-	132,680
-	70,618	-	13,051,711
<u>1,188,169</u>	<u>2,804,515</u>	<u>-</u>	<u>17,782,072</u>
<u>\$ 1,188,281</u>	<u>\$ 5,568,545</u>	<u>\$ (403,716)</u>	<u>\$ 20,152,778</u>

STATE OF ALASKA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 3.02

	General Fund		
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund
REVENUES			
Taxes	\$ 111,881	\$ -	\$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	484
Fines and Forfeitures	2,210	-	344
Rents and Royalties	17,508	-	-
Premiums and Contributions	-	-	42
Interest and Investment Income	1,050,780	-	-
Federal Grants in Aid	-	-	-
Payments In from Component Units	-	-	-
Other Revenues	-	-	(176)
Total Revenues	<u>1,182,379</u>	<u>-</u>	<u>694</u>
EXPENDITURES			
Current:			
General Government	-	-	8,509
Alaska Permanent Fund Dividend	-	-	817,893
Education	-	-	-
University	-	-	-
Health and Human Services	-	-	16,982
Law and Justice	-	-	1,875
Public Protection	-	-	14,771
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Intergovernmental Revenue Sharing	-	-	-
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>860,030</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,182,379</u>	<u>-</u>	<u>(859,336)</u>
OTHER FINANCING SOURCES (USES)			
Capital Leases	-	-	-
Transfers In from Other Funds	-	1,435,097	800,613
Transfers (Out to) Other Funds	-	-	(71)
Total Other Financing Sources and Uses	<u>-</u>	<u>1,435,097</u>	<u>800,542</u>
Net Change in Fund Balances	<u>1,182,379</u>	<u>1,435,097</u>	<u>(58,794)</u>
Fund Balances - Beginning of Year	9,166,070	1,197,547	867,089
Fund Balances - End of Year	<u>\$ 10,348,449</u>	<u>\$ 2,632,644</u>	<u>\$ 808,295</u>

STATEMENT 3.02

Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ -	\$ 5,246,443	\$ -	\$ 5,358,324
-	117,310	-	117,310
-	178,825	-	179,309
-	9,020	-	11,574
-	1,858,328	-	1,875,836
-	17,745	-	17,787
-	108,209	-	1,158,989
-	2,407,903	-	2,407,903
-	42,866	-	42,866
-	16,850	-	16,674
-	10,003,499	-	11,186,572
-	379,600	-	388,109
-	1	-	817,894
1,113,826	684,751	-	1,798,577
-	436,112	-	436,112
-	2,406,419	-	2,423,401
-	234,730	-	236,605
-	769,200	-	783,971
-	267,631	-	267,631
-	869,912	-	869,912
-	1,086,107	-	1,086,107
-	189,796	-	189,796
-	7,174	-	7,174
-	1,811	-	1,811
1,113,826	7,333,244	-	9,307,100
(1,113,826)	2,670,255	-	1,879,472
-	8,212	-	8,212
1,130,982	17,465	(2,566,080)	818,077
-	(3,025,834)	2,566,080	(459,825)
1,130,982	(3,000,157)	-	366,464
17,156	(329,902)	-	2,245,936
1,171,013	3,134,417	-	15,536,136
\$ 1,188,169	\$ 2,804,515	\$ -	\$ 17,782,072



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Nonmajor Governmental Funds



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(Stated in Thousands)

STATEMENT 3.11

	<u>Permanent Fund</u>		<u>Special</u>
	Public		Revenue
	School Trust		Funds
	Fund		Funds
ASSETS			
Cash and Investments	\$ 429,453	\$	470,207
Accounts Receivable - Net	1,278		2,200
Interest and Dividends Receivable	11,048		-
Due from Other Funds	644		404,019
Due from Component Units	-		-
Due from Other Governments	-		6,766
Loans, Notes, and Bonds Receivable	83		-
Other Assets	-		250
Total Assets	<u>\$ 442,506</u>	\$	<u>883,442</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 602	\$	7,461
Due to Other Funds	-		5,611
Due to Component Units	-		1,267
Unearned and Deferred Revenue	1,578		393
Other Liabilities	2		357
Total Liabilities	<u>2,182</u>		<u>15,089</u>
Fund Balances:			
Nonspendable:			
Principal	429,075		-
Restricted for:			
Debt Service	-		-
Education	-		8,208
Health and Human Services	-		16,841
Development	-		37,049
Other Purposes	-		152
Committed to:			
Education	11,249		-
Development	-		806,103
Total Fund Balances	<u>440,324</u>		<u>868,353</u>
Total Liabilities and Fund Balances	<u>\$ 442,506</u>	\$	<u>883,442</u>

STATEMENT 3.11

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 45,000	\$ 302,503	\$ 1,247,163
-	-	3,478
3	25	11,076
795	-	405,458
-	3,810	3,810
-	-	6,766
-	-	83
-	-	250
\$ 45,798	\$ 306,338	\$ 1,678,084
-	2,605	10,668
-	5,718	11,329
-	-	1,267
-	-	1,971
-	-	359
-	8,323	25,594
-	-	429,075
45,798	-	45,798
-	184,045	192,253
-	-	16,841
-	113,970	151,019
-	-	152
-	-	11,249
-	-	806,103
45,798	298,015	1,652,490
\$ 45,798	\$ 306,338	\$ 1,678,084

STATE OF ALASKA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 3.12

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	\$ -	\$ 23,155
Licenses and Permits	-	30,021
Charges for Services	-	245
Fines and Forfeitures	3	290
Rents and Royalties	13,706	3,033
Premiums and Contributions	-	11,003
Interest and Investment Income	62,117	6,596
Federal Grants in Aid	-	35,054
Other Revenues	-	13,708
Total Revenues	75,826	123,105
EXPENDITURES		
Current:		
General Government	94	1,561
Education	9,818	21,135
University	-	-
Health and Human Services	-	4,573
Public Protection	-	297
Natural Resources	-	61,906
Development	-	23,502
Transportation	-	-
Debt Service:		
Principal	-	-
Interest and Other Charges	-	-
Total Expenditures	9,912	112,974
Excess (Deficiency) of Revenues Over Expenditures	65,914	10,131
OTHER FINANCING SOURCES (USES)		
Bonds Issued	-	-
Bonds Issued Premium	-	-
Transfers In from Other Funds	-	402,471
Transfers (Out to) Other Funds	(1)	(5,455)
Total Other Financing Sources and Uses	(1)	397,016
Net Change in Fund Balances	65,913	407,147
Fund Balances - Beginning of Year	374,411	461,206
Fund Balances - End of Year	\$ 440,324	\$ 868,353

STATEMENT 3.12

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 23,155
-	-	30,021
-	-	245
-	-	293
-	-	16,739
-	-	11,003
63	1,275	70,051
-	-	35,054
23,538	-	37,246
<u>23,601</u>	<u>1,275</u>	<u>223,807</u>
-	-	1,655
-	5,895	36,848
-	13,136	13,136
-	-	4,573
-	-	297
-	44,317	106,223
-	3	23,505
-	17,548	17,548
40,055	-	40,055
42,390	-	42,390
<u>82,445</u>	<u>80,899</u>	<u>286,230</u>
(58,844)	(79,624)	(62,423)
-	200,000	200,000
1,837	-	1,837
56,893	-	459,364
(74)	(9,343)	(14,873)
<u>58,656</u>	<u>190,657</u>	<u>646,328</u>
(188)	111,033	583,905
45,986	186,982	1,068,585
<u>\$ 45,798</u>	<u>\$ 298,015</u>	<u>\$ 1,652,490</u>



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Permanent Funds

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

- **Alaska Mental Health Trust Authority (Fund 34040)** – AS 47.30.011 – This is a Discretely Presented Component Unit. The fund description is contained in the Notes to the Basic Financial Statements, Note 1A. Statements are included in the Nonmajor Component Units section.
- **Alaska Permanent Fund (Fund 34030)** – Alaska Constitution, Article IX, Section 15 – Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in the Alaska Permanent Fund. This is a major fund and included in Statements 1.11, 1.13, and 3.23.
- **Public School Trust Fund (Fund 34010)** – AS 37.14.110 – Administered by the Department of Revenue. The principal consists of the balance of the public school permanent fund on July 1, 1978, and one-half of one percent of the receipts derived from the management of state land (AS 34.14.150). The net income of the fund may be appropriated only for the support of the state public school program. This is a non-major fund and is included in Statements 3.11, 3.12, and 3.23.



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

Permanent Funds

For the Fiscal Year Ended June 30, 2011

(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	\$ 3	\$ 3	\$ -
Rents and Royalties	12,435	13,706	(1,271)
Interest and Investment Income	62,118	62,117	1
Total Revenues	<u>74,556</u>	<u>75,826</u>	<u>(1,270)</u>
EXPENDITURES			
Current:			
General Government	106	94	12
Education	9,818	9,818	-
Law and Justice	-	-	-
Natural Resources	583	-	583
Total Expenditures	<u>10,507</u>	<u>9,912</u>	<u>595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,049</u>	<u>65,914</u>	<u>(1,865)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	(1)	(1)	-
Total Other Financing Sources and Uses	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ 64,048</u>	65,913	<u>\$ (1,865)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		65,913	
Fund Balances - Beginning of Year		374,411	
Fund Balances - End of Year		<u>\$ 440,324</u>	

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ 3	\$ 3	\$ -
886,989	886,989	-	899,424	900,695	(1,271)
6,910,263	6,910,263	-	6,972,381	6,972,380	1
<u>7,797,252</u>	<u>7,797,252</u>	<u>-</u>	<u>7,871,808</u>	<u>7,873,078</u>	<u>(1,270)</u>
91,670	91,670	-	91,776	91,764	12
-	-	-	9,818	9,818	-
1,478	1,478	-	1,478	1,478	-
5,297	5,297	-	5,880	5,297	583
<u>98,445</u>	<u>98,445</u>	<u>-</u>	<u>108,952</u>	<u>108,357</u>	<u>595</u>
7,698,807	7,698,807	-	7,762,856	7,764,721	(1,865)
-	-	-	-	-	-
<u>(813,404)</u>	<u>(813,404)</u>	<u>-</u>	<u>(813,405)</u>	<u>(813,405)</u>	<u>-</u>
<u>(813,404)</u>	<u>(813,404)</u>	<u>-</u>	<u>(813,405)</u>	<u>(813,405)</u>	<u>-</u>
<u>\$ 6,885,403</u>	6,885,403	<u>\$ -</u>	<u>\$ 6,949,451</u>	6,951,316	<u>\$ (1,865)</u>
	6,885,403			6,951,316	
	33,254,811			33,629,222	
	<u>\$ 40,140,214</u>			<u>\$ 40,580,538</u>	



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Nonmajor Special Revenue Funds

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

- **Alaska Gasline Development Corporation (AGDC) (Fund 34077)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is for planning, constructing, and financing in-state natural gas pipeline projects or aiding in such projects. AGDC is authorized to issue bonds necessary to provide sufficient funds for carrying out this purpose.
- **Alaska Housing Capital Corporation (AHCC) (Fund 34076)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to fund capital projects, including financing expenses. AHCC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Alyeska Settlement Trust Fund (Fund 12138)** – Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company – Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.
- **Clean Air Protection Fund (Fund 12133)** – AS 46.14.260 and Federal Clean Air Act – Administered by the Department of Environmental Conservation. The fund was established to collect and account for permit fees under the Federal Clean Air Act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- **Exxon Valdez Oil Spill Restoration Fund (Fund 12136)** – United States 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 12160)** – 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 the 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 the 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 the 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 the 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 (NPR) Fund (Fund 12131)** – AS 37.05.530 – The commissioner of the Department of Revenue is responsible for the management of the NPR fund. The Department of Commerce, Community, and Economic Development administers the NPR grant program within the fund. This fund consists of all money disbursed to the State by the federal government under 42 USC 6508 since December 12, 1980, less the amount deposited in the General Fund and expended by the State by General Fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- **Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 21664)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Reclamation Bonding Pool Fund (Fund 12132)** – AS 27.19.040 – Administered by the 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 the Department of Revenue and the 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 the 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, 2011
 (Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
ASSETS						
Cash and Investments	\$ 6,165	\$ 11,530	\$ 8,522	\$ 6,360	\$ 39,978	\$ 1,835
Accounts Receivable - Net	18	-	23	2,137	-	-
Due from Other Funds	-	294	-	-	-	-
Due from Other Governments	-	-	6,766	-	-	-
Other Assets	-	-	57	-	-	-
Total Assets	<u>\$ 6,183</u>	<u>\$ 11,824</u>	<u>\$ 15,368</u>	<u>\$ 8,497</u>	<u>\$ 39,978</u>	<u>\$ 1,835</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	\$ 395	\$ 14	\$ 1,830	\$ 289	\$ 2,213	\$ 2
Due to Other Funds	757	-	3,614	-	-	-
Due to Component Units	-	-	-	-	-	-
Unearned and Deferred Revenue	-	-	393	-	-	-
Other Liabilities	-	-	-	-	-	357
Total Liabilities	<u>1,152</u>	<u>14</u>	<u>5,837</u>	<u>289</u>	<u>2,213</u>	<u>359</u>
Fund Balances:						
Restricted for:						
Education	-	-	-	8,208	-	-
Health and Human Services	5,031	11,810	-	-	-	-
Development	-	-	9,531	-	-	1,476
Other Purposes	-	-	-	-	-	-
Committed to:						
Development	-	-	-	-	37,765	-
Total Fund Balances	<u>5,031</u>	<u>11,810</u>	<u>9,531</u>	<u>8,208</u>	<u>37,765</u>	<u>1,476</u>
Total Liabilities and Fund Balances	<u>\$ 6,183</u>	<u>\$ 11,824</u>	<u>\$ 15,368</u>	<u>\$ 8,497</u>	<u>\$ 39,978</u>	<u>\$ 1,835</u>

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Alaska Gasline Development Corporation	Total Nonmajor Special Revenue Funds
\$ 4,025	\$ 3,842	\$ 8,654	\$ 9,922	\$ 152	\$ 884	\$ 368,338	\$ -	\$ 470,207
-	-	-	-	-	22	-	-	2,200
-	-	-	-	-	6	400,000	3,719	404,019
-	-	-	-	-	-	-	-	6,766
-	-	-	-	-	-	-	193	250
<u>\$ 4,025</u>	<u>\$ 3,842</u>	<u>\$ 8,654</u>	<u>\$ 9,922</u>	<u>\$ 152</u>	<u>\$ 912</u>	<u>\$ 768,338</u>	<u>\$ 3,912</u>	<u>\$ 883,442</u>
\$ 2	\$ -	\$ -	\$ 71	\$ -	\$ -	\$ -	\$ 2,645	\$ 7,461
866	-	250	118	-	6	-	-	5,611
-	-	-	-	-	-	-	1,267	1,267
-	-	-	-	-	-	-	-	393
-	-	-	-	-	-	-	-	357
<u>868</u>	<u>-</u>	<u>250</u>	<u>189</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>3,912</u>	<u>15,089</u>
-	-	-	-	-	-	-	-	8,208
-	-	-	-	-	-	-	-	16,841
3,157	3,842	8,404	9,733	-	906	-	-	37,049
-	-	-	-	152	-	-	-	152
-	-	-	-	-	-	768,338	-	806,103
<u>3,157</u>	<u>3,842</u>	<u>8,404</u>	<u>9,733</u>	<u>152</u>	<u>906</u>	<u>768,338</u>	<u>-</u>	<u>868,353</u>
<u>\$ 4,025</u>	<u>\$ 3,842</u>	<u>\$ 8,654</u>	<u>\$ 9,922</u>	<u>\$ 152</u>	<u>\$ 912</u>	<u>\$ 768,338</u>	<u>\$ 3,912</u>	<u>\$ 883,442</u>

STATE OF ALASKA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 3.32

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 23,155	\$ -	\$ -
Licenses and Permits	-	1,110	26,039	-	-	-
Charges for Services	-	-	176	-	-	69
Fines and Forfeitures	39	-	246	-	-	-
Rents and Royalties	-	-	-	-	3,033	-
Premiums and Contributions	2,685	-	-	-	-	-
Interest and Investment Income	-	-	170	-	-	29
Federal Grants in Aid	-	-	35,054	-	-	-
Other Revenues	-	-	2	-	-	-
Total Revenues	<u>2,724</u>	<u>1,110</u>	<u>61,687</u>	<u>23,155</u>	<u>3,033</u>	<u>98</u>
EXPENDITURES						
Current:						
General Government	-	-	969	-	425	-
Education	-	-	-	21,135	-	-
Health and Human Services	3,282	1,012	-	-	279	-
Public Protection	-	-	-	-	297	-
Natural Resources	-	-	57,121	-	46	-
Development	-	-	-	-	9,551	-
Total Expenditures	<u>3,282</u>	<u>1,012</u>	<u>58,090</u>	<u>21,135</u>	<u>10,598</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(558)</u>	<u>98</u>	<u>3,597</u>	<u>2,020</u>	<u>(7,565)</u>	<u>98</u>
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	-	-	2,396	-	1	-
Transfers (Out to) Other Funds	-	-	(5,455)	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(3,059)</u>	<u>-</u>	<u>1</u>	<u>-</u>
Net Change in Fund Balances	<u>(558)</u>	<u>98</u>	<u>538</u>	<u>2,020</u>	<u>(7,564)</u>	<u>98</u>
Fund Balances - Beginning of Year	5,589	11,712	8,993	6,188	45,329	1,378
Fund Balances - End of Year	<u>\$ 5,031</u>	<u>\$ 11,810</u>	<u>\$ 9,531</u>	<u>\$ 8,208</u>	<u>\$ 37,765</u>	<u>\$ 1,476</u>

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Alaska Gasline Development Corporation	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,155
2,872	-	-	-	-	-	-	-	30,021
-	-	-	-	-	-	-	-	245
5	-	-	-	-	-	-	-	290
-	-	-	-	-	-	-	-	3,033
-	-	-	8,318	-	-	-	-	11,003
-	63	141	121	-	51	6,021	-	6,596
-	-	-	-	-	-	-	-	35,054
-	-	-	5	-	-	-	13,701	13,708
<u>2,877</u>	<u>63</u>	<u>141</u>	<u>8,444</u>	<u>-</u>	<u>51</u>	<u>6,021</u>	<u>13,701</u>	<u>123,105</u>
98	-	-	-	69	-	-	-	1,561
-	-	-	-	-	-	-	-	21,135
-	-	-	-	-	-	-	-	4,573
-	-	-	-	-	-	-	-	297
3,106	-	-	1,620	-	13	-	-	61,906
-	-	250	-	-	-	-	13,701	23,502
<u>3,204</u>	<u>-</u>	<u>250</u>	<u>1,620</u>	<u>69</u>	<u>13</u>	<u>-</u>	<u>13,701</u>	<u>112,974</u>
(327)	63	(109)	6,824	(69)	38	6,021	-	10,131
-	-	-	-	74	-	400,000	-	402,471
-	-	-	-	-	-	-	-	(5,455)
-	-	-	-	74	-	400,000	-	397,016
(327)	63	(109)	6,824	5	38	406,021	-	407,147
3,484	3,779	8,513	2,909	147	868	362,317	-	461,206
<u>\$ 3,157</u>	<u>\$ 3,842</u>	<u>\$ 8,404</u>	<u>\$ 9,733</u>	<u>\$ 152</u>	<u>\$ 906</u>	<u>\$ 768,338</u>	<u>\$ -</u>	<u>\$ 868,353</u>

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 3.33

	Second Injury		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	39	(39)
Rents and Royalties	-	-	-
Premiums and Contributions	3,985	2,685	1,300
Interest and Investment Income	-	-	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>3,985</u>	<u>2,724</u>	<u>1,261</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	3,994	3,282	712
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	<u>3,994</u>	<u>3,282</u>	<u>712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9)</u>	<u>(558)</u>	<u>549</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (9)</u>	<u>(558)</u>	<u>\$ 549</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Funds Not Annually Budgeted		-	
Basis Difference		-	
Perspective Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		(558)	
Fund Balances - Beginning of Year		5,589	
Fund Balances - End of Year		<u>\$ 5,031</u>	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,625	1,110	515	26,039	26,039	-
-	-	-	176	176	-
-	-	-	-	246	(246)
-	-	-	-	-	-
-	-	-	-	170	(170)
-	-	-	25,206	2	25,204
-	-	-	38,021	35,054	2,967
<u>1,625</u>	<u>1,110</u>	<u>515</u>	<u>89,442</u>	<u>61,687</u>	<u>27,755</u>
-	-	-	969	969	-
-	-	-	-	-	-
1,626	1,012	614	-	-	-
-	-	-	-	-	-
-	-	-	68,949	59,377	9,572
-	-	-	4,539	2,374	2,165
-	-	-	-	-	-
<u>1,626</u>	<u>1,012</u>	<u>614</u>	<u>74,457</u>	<u>62,720</u>	<u>11,737</u>
<u>(1)</u>	<u>98</u>	<u>(99)</u>	<u>14,985</u>	<u>(1,033)</u>	<u>16,018</u>
-	-	-	3,847	2,396	1,451
-	-	-	(9,510)	(5,455)	(4,055)
-	-	-	(5,663)	(3,059)	(2,604)
<u>\$ (1)</u>	<u>98</u>	<u>\$ (99)</u>	<u>\$ 9,322</u>	<u>(4,092)</u>	<u>\$ 13,414</u>
-	-	-	-	4,630	-
-	-	-	-	-	-
-	-	-	-	-	-
-	98	-	-	538	-
-	11,712	-	-	8,993	-
<u>\$ 11,810</u>	<u>\$ 11,810</u>	<u>\$ 11,810</u>	<u>\$ 9,531</u>	<u>\$ 9,531</u>	<u>\$ 9,531</u>

This statement continued on the next page.

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 3.33

	School		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$ 20,865	\$ 22,821	\$ (1,956)
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	-	-
Premiums and Contributions	-	-	-
Interest and Investment Income	-	-	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>20,865</u>	<u>22,821</u>	<u>(1,956)</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	21,200	21,135	65
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	<u>21,200</u>	<u>21,135</u>	<u>65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(335)</u>	<u>1,686</u>	<u>(2,021)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (335)</u>	1,686	<u>\$ (2,021)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Funds Not Annually Budgeted		334	
Basis Difference		-	
Perspective Difference		<u>-</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		2,020	
Fund Balances - Beginning of Year		6,188	
Fund Balances - End of Year		<u>\$ 8,208</u>	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,872	2,872	-
-	-	-	-	-	-
-	-	-	5	5	-
3,033	3,033	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,033</u>	<u>3,033</u>	<u>-</u>	<u>2,877</u>	<u>2,877</u>	<u>-</u>
15	15	-	98	98	-
720	720	-	-	-	-
886	886	-	-	-	-
-	-	-	-	-	-
113	113	-	-	-	-
1,753	1,753	-	3,106	3,106	-
41,845	41,784	61	-	-	-
-	-	-	-	-	-
<u>45,332</u>	<u>45,271</u>	<u>61</u>	<u>3,204</u>	<u>3,204</u>	<u>-</u>
<u>(42,299)</u>	<u>(42,238)</u>	<u>(61)</u>	<u>(327)</u>	<u>(327)</u>	<u>-</u>
1	1	-	-	-	-
-	-	-	-	-	-
<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (42,298)</u>	<u>(42,237)</u>	<u>\$ (61)</u>	<u>\$ (327)</u>	<u>(327)</u>	<u>\$ -</u>
	34,673			-	
	-			-	
	-			-	
	<u>-</u>			<u>-</u>	
	(7,564)			(327)	
	45,329			3,484	
	<u>\$ 37,765</u>			<u>\$ 3,157</u>	

This statement continued on the next page.

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 3.33

	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	63	63	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>63</u>	<u>63</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Law and Justice	400	-	400
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	2,653	-	2,653
Total Expenditures	<u>3,053</u>	<u>-</u>	<u>3,053</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,990)</u>	<u>63</u>	<u>(3,053)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (2,990)</u>	<u>63</u>	<u>\$ (3,053)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Funds Not Annually Budgeted		-	
Basis Difference		-	
Perspective Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		<u>63</u>	
Fund Balances - Beginning of Year		3,779	
Fund Balances - End of Year		<u>\$ 3,842</u>	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,318	8,318	-
141	141	-	121	121	-
-	-	-	5	5	-
-	-	-	-	-	-
<u>141</u>	<u>141</u>	<u>-</u>	<u>8,444</u>	<u>8,444</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	11,270	1,821	9,449
-	-	-	-	-	-
8,639	4,616	4,023	-	-	-
<u>8,639</u>	<u>4,616</u>	<u>4,023</u>	<u>11,270</u>	<u>1,821</u>	<u>9,449</u>
<u>(8,498)</u>	<u>(4,475)</u>	<u>(4,023)</u>	<u>(2,826)</u>	<u>6,623</u>	<u>(9,449)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (8,498)</u>	<u>(4,475)</u>	<u>\$ (4,023)</u>	<u>\$ (2,826)</u>	<u>6,623</u>	<u>\$ (9,449)</u>
	4,366			201	
	-			-	
	-			-	
	-			-	
	(109)			6,824	
	8,513			2,909	
	<u>\$ 8,404</u>			<u>\$ 9,733</u>	

This statement continued on the next page.

STATE OF ALASKA
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 3.33

	Mine Reclamation Trust		
	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	51	51	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>51</u>	<u>51</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	18	13	5
Development	-	-	-
Transportation	-	-	-
Total Expenditures	<u>18</u>	<u>13</u>	<u>5</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>33</u>	<u>38</u>	<u>(5)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ 33</u>	38	<u>\$ (5)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Funds Not Annually Budgeted		-	
Basis Difference		-	
Perspective Difference		<u>-</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		38	
Fund Balances - Beginning of Year		868	
Fund Balances - End of Year		<u>\$ 906</u>	

Alaska Gasline Development Corporation			Funds Not Annually Budgeted		
Budget	Actual	Variance with Budget	Reclamation Bonding Pool Actual	Northern Tobacco Securitization Corporation Actual	Alaska Housing Capital Corporation Actual
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,640	13,701	1,939	-	-	-
-	-	-	-	-	-
<u>15,640</u>	<u>13,701</u>	<u>1,939</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,640	13,701	1,939	-	-	-
-	-	-	-	-	-
<u>15,640</u>	<u>13,701</u>	<u>1,939</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1,772	-	-	-	-
-	-	-	98	5	406,021
-	167	-	-	-	-
-	<u>(1,939)</u>	-	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	98	5	406,021
-	-	-	1,378	147	362,317
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ 1,476</u>	<u>\$ 152</u>	<u>\$ 768,338</u>

This statement continued on the next page.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

	Total Nonmajor Special Revenue Funds		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$ 20,865	\$ 22,821	\$ (1,956)
Licenses and Permits	30,536	30,021	515
Charges for Services	176	176	-
Fines and Forfeitures	5	290	(285)
Rents and Royalties	3,033	3,033	-
Premiums and Contributions	12,303	11,003	1,300
Interest and Investment Income	376	546	(170)
Other Revenues	40,851	13,708	27,143
Restricted:			
Federal Grants in Aid	38,021	35,054	2,967
Total Revenues	<u>146,166</u>	<u>116,652</u>	<u>29,514</u>
EXPENDITURES			
Current:			
General Government	1,082	1,082	-
Education	21,920	21,855	65
Health and Human Services	6,506	5,180	1,326
Law and Justice	400	-	400
Public Protection	113	113	-
Natural Resources	85,096	66,070	19,026
Development	62,024	57,859	4,165
Transportation	11,292	4,616	6,676
Total Expenditures	<u>188,433</u>	<u>156,775</u>	<u>31,658</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(42,267)</u>	<u>(40,123)</u>	<u>(2,144)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	3,848	2,397	1,451
Transfers (Out to) Other Funds	<u>(9,510)</u>	<u>(5,455)</u>	<u>(4,055)</u>
Total Other Financing Sources and Uses	<u>(5,662)</u>	<u>(3,058)</u>	<u>(2,604)</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	<u>\$ (47,929)</u>	(43,181)	<u>\$ (4,748)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		45,642	
Funds Not Annually Budgeted		406,458	
Basis Difference		167	
Perspective Difference		<u>(1,939)</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		407,147	
Fund Balances - Beginning of Year		461,206	
Fund Balances - End of Year		<u>\$ 868,353</u>	

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, 2011
 (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	\$ 1,840	\$ 36,475	\$ 6,685	\$ 45,000
Interest and Dividends Receivable	-	3	-	3
Due from Other Funds	-	-	795	795
Total Assets	<u>\$ 1,840</u>	<u>\$ 36,478</u>	<u>\$ 7,480</u>	<u>\$ 45,798</u>
LIABILITIES AND FUND BALANCES				
Liabilities:	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Debt Service	1,840	36,478	7,480	45,798
Total Fund Balances	<u>1,840</u>	<u>36,478</u>	<u>7,480</u>	<u>45,798</u>
Total Liabilities and Fund Balances	<u>\$ 1,840</u>	<u>\$ 36,478</u>	<u>\$ 7,480</u>	<u>\$ 45,798</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, 2011
(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	\$ -	\$ 60	\$ 3	\$ 63
Other Revenues	-	23,538	-	23,538
Total Revenues	-	23,598	3	23,601
EXPENDITURES				
Current				
Debt Service:				
Principal	31,970	5,505	2,580	40,055
Interest and Other Charges	21,789	18,091	2,510	42,390
Total Expenditures	53,759	23,596	5,090	82,445
Excess (Deficiency) of Revenues Over Expenditures	(53,759)	2	(5,087)	(58,844)
OTHER FINANCING SOURCES (USES)				
Bonds Issued Premium	1,837	-	-	1,837
Transfers In from Other Funds	51,438	-	5,455	56,893
Transfers (Out to) Other Funds	-	(74)	-	(74)
Total Other Financing Sources and Uses	53,275	(74)	5,455	58,656
Net Change in Fund Balances	(484)	(72)	368	(188)
Fund Balances - Beginning of Year	2,324	36,550	7,112	45,986
Fund Balances - End of Year	\$ 1,840	\$ 36,478	\$ 7,480	\$ 45,798



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Nonmajor Capital Projects Funds

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

- **2008 Transportation Project Fund (GO Bonds) (Fund 13113)** – Chapter 30, SLA 2008 – This fund consists of the proceeds from the sale of \$165,000,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.
- **2010 Education Project Fund (GO Bonds) (Fund 13225)** – Chapter 95, SLA 2010 – This fund consists of the proceeds from the sale of \$200,000,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state education projects.
- **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 13220)** – AS 16.05.130(f) – This fund consists of the proceeds from the sale of \$58,060,000 of Sport Fishing Revenue Bonds and General Fund money appropriated by the legislature. The purpose of the fund is 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 sale 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, 2011
 (Stated in Thousands)

STATEMENT 3.51

	Accelerated Alaska Transportation Projects	Transportation Projects	Educational and Museum Facility Design, Construction, and Major Maintenance
ASSETS			
Cash and Investments	\$ 493	\$ 788	\$ 488
Interest and Dividends Receivable	-	-	-
Due from Component Units	-	-	-
Total Assets	\$ 493	\$ 788	\$ 488
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -
Due to Other Funds	-	12	-
Total Liabilities	-	12	-
Fund Balances:			
Restricted for:			
Education	-	-	488
Development	493	776	-
Total Fund Balances	493	776	488
Total Liabilities and Fund Balances	\$ 493	\$ 788	\$ 488

STATEMENT 3.51

Alaska Sport Fishing Construction Account	2008 Transportation Projects	2010 Education Projects	Total Nonmajor Capital Projects Funds
\$ 25,138	\$ 93,716	\$ 181,880	\$ 302,503
2	8	15	25
-	-	3,810	3,810
<u>\$ 25,140</u>	<u>\$ 93,724</u>	<u>\$ 185,705</u>	<u>\$ 306,338</u>
\$ 101	\$ 361	\$ 2,143	\$ 2,605
4,754	947	5	5,718
<u>4,855</u>	<u>1,308</u>	<u>2,148</u>	<u>8,323</u>
-	-	183,557	184,045
20,285	92,416	-	113,970
<u>20,285</u>	<u>92,416</u>	<u>183,557</u>	<u>298,015</u>
<u>\$ 25,140</u>	<u>\$ 93,724</u>	<u>\$ 185,705</u>	<u>\$ 306,338</u>

STATE OF ALASKA
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 3.52

	Accelerated Alaska Transportation Projects	Transportation Projects	Educational and Museum Facility Design, Construction, and Major Maintenance
REVENUES			
Interest and Investment Income	\$ 3	\$ 4	\$ 13
Total Revenues	<u>3</u>	<u>4</u>	<u>13</u>
EXPENDITURES			
Current:			
Education	-	-	2,081
University	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	201	153	-
Total Expenditures	<u>201</u>	<u>153</u>	<u>2,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(198)</u>	<u>(149)</u>	<u>(2,068)</u>
OTHER FINANCING SOURCES (USES)			
Bonds Issued	-	-	-
Transfers (Out to) Other Funds	<u>(374)</u>	<u>(18)</u>	<u>(7,049)</u>
Total Other Financing Sources and Uses	<u>(374)</u>	<u>(18)</u>	<u>(7,049)</u>
Net Change in Fund Balances	<u>(572)</u>	<u>(167)</u>	<u>(9,117)</u>
Fund Balances - Beginning of Year	1,065	943	9,605
Fund Balances - End of Year	<u>\$ 493</u>	<u>\$ 776</u>	<u>\$ 488</u>

STATEMENT 3.52

Alaska Sport Fishing Construction Account	2008 Transportation Projects	2010 Education Projects	Total Nonmajor Capital Projects Funds
\$ 231	\$ 500	\$ 524	\$ 1,275
231	500	524	1,275
-	-	3,814	5,895
-	-	13,136	13,136
44,303	-	14	44,317
-	-	3	3
-	17,194	-	17,548
44,303	17,194	16,967	80,899
(44,072)	(16,694)	(16,443)	(79,624)
-	-	200,000	200,000
-	(1,902)	-	(9,343)
-	(1,902)	200,000	190,657
(44,072)	(18,596)	183,557	111,033
64,357	111,012	-	186,982
\$ 20,285	\$ 92,416	\$ 183,557	\$ 298,015



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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 nonmajor enterprise funds.

COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

- **Alaska Capstone Avionics Revolving Loan Fund (Fund 21628)** – AS 44.33.655 – Administered by the Department of Commerce, Community, and Economic Development (DCCED). The purpose of this fund is to provide low interest loans to qualified applicants for the purpose of purchasing and installing capstone avionics equipment, to increase the safety of air carrier, air taxi and general aviation intrastate air transportation.
- **Alaska World War II Veterans' Revolving Loan Fund (Fund 21605)** – AS 26.15.090 – Administered by 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.
- **Commercial Fishing Revolving Loan Fund (Fund 21608)** – AS 16.10.340 – Administered by DCCED. The purpose of this 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 45.81.240 – Administered by DCCED. The purpose of this fund is to make small business loans. Loans may be used to acquire, finance, refinance or equip businesses, including mining, fishing, and farming equipment.

ENERGY ASSISTANCE ENTERPRISE FUNDS

- **Alternative Energy Conservation 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 utilizing one or more alternative energy systems and to purchase, construct, and install energy conservation improvements in commercial buildings.
- **Bulk Fuel Bridge Loan Fund (Fund 21627)** – AS 29.60.660 – Administered by DCCED. The purpose of this fund is to assist communities, utilities providing power in communities, fuel retailers, and other persons in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities, if no other funding source exists for the purchase.

- **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 purpose of this fund is to promote the development of agriculture as an industry throughout the State by means of long-term, low interest loans.
- **Alaska Clean Water Fund (Fund 21658)** – AS 46.03.032-035 & 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 46.03.036-039 & 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: (1) part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; (2) 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 the 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 United States Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.



STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2011
(Stated in Thousands)

STATEMENT 4.01

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 87,557	\$ 4,968	\$ 349,056	\$ 441,581
Accounts Receivable - Net	234	-	16,920	17,154
Interest and Dividends Receivable	4,055	-	2,106	6,161
Due from Other Funds	-	5	88	93
Due from Other Governments	-	-	2,774	2,774
Loans, Notes, and Bonds Receivable	6,431	1,534	18,962	26,927
Other Current Assets	-	-	57	57
Total Current Assets	<u>98,277</u>	<u>6,507</u>	<u>389,963</u>	<u>494,747</u>
Noncurrent Assets:				
Interest and Dividends Receivable	16,282	-	-	16,282
Loans, Notes, and Bonds Receivable	103,543	657	263,840	368,040
Repossessed Property	22	-	615	637
Investment in Projects, Partnerships, or Corporations	-	-	3,777	3,777
Other Noncurrent Assets	-	-	2,888	2,888
Capital Assets:				
Construction in Progress	-	-	45,191	45,191
Total Noncurrent Assets	<u>119,847</u>	<u>657</u>	<u>316,311</u>	<u>436,815</u>
Total Assets	<u>218,124</u>	<u>7,164</u>	<u>706,274</u>	<u>931,562</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	41	-	4,910	4,951
Due to Other Funds	543	-	2,289	2,832
Due to Other Governments	-	-	6,585	6,585
Claims, Judgments, Compensated Absences, and Pollution Remediation	260	-	31	291
Other Current Liabilities	-	-	377	377
Total Current Liabilities	<u>844</u>	<u>-</u>	<u>14,192</u>	<u>15,036</u>
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	152	152
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>152</u>	<u>152</u>
Total Liabilities	<u>844</u>	<u>-</u>	<u>14,344</u>	<u>15,188</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	45,191	45,191
Restricted for:				
Unemployment Compensation	-	-	229,579	229,579
Health and Human Services	-	-	393,812	393,812
Other Purposes	-	-	217	217
Unrestricted	217,280	7,164	23,131	247,575
Total Net Assets	<u>\$ 217,280</u>	<u>\$ 7,164</u>	<u>\$ 691,930</u>	<u>\$ 916,374</u>

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2011

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ -	\$ 190,321	\$ 190,321
Charges for Goods and Services	264	-	1,267	1,531
Interest and Investment Income	7,123	2	3,158	10,283
Allowance for Uncollectible Interest	1,426	-	-	1,426
Fines and Forfeitures	35	-	24	59
Federal Reimbursements	-	-	90,287	90,287
Total Operating Revenues	<u>8,848</u>	<u>2</u>	<u>285,057</u>	<u>293,907</u>
OPERATING EXPENSES				
Benefits	-	-	325,040	325,040
Operating	4,201	-	1,610	5,811
Depreciation	-	-	36	36
Provision for Loan Losses and Forgiveness	487	665	-	1,152
Total Operating Expenses	<u>4,688</u>	<u>665</u>	<u>326,686</u>	<u>332,039</u>
Operating Income (Loss)	<u>4,160</u>	<u>(663)</u>	<u>(41,629)</u>	<u>(38,132)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	78	105	12,015	12,198
Interest and Investment Expense	-	-	(7)	(7)
Other Nonoperating Revenues (Expenses)	650	-	1,512	2,162
Total Nonoperating Revenues (Expenses)	<u>728</u>	<u>105</u>	<u>13,520</u>	<u>14,353</u>
Income Before Capital Contributions and Transfers	4,888	(558)	(28,109)	(23,779)
Capital Contributions	-	-	13,737	13,737
Transfers In from Other Funds	-	5	34	39
Transfers (Out to) Other Funds	(24)	-	(948)	(972)
Change in Net Assets	4,864	(553)	(15,286)	(10,975)
Total Net Assets - Beginning of Year	212,416	7,717	707,216	927,349
Total Net Assets - End of Year	<u>\$ 217,280</u>	<u>\$ 7,164</u>	<u>\$ 691,930</u>	<u>\$ 916,374</u>



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STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(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	\$ -	\$ -	\$ 90,601	\$ 90,601
Receipts from Customers	345	-	36	381
Receipts for Interfund Services Provided	201	-	-	201
Receipt of Principal from Loan Recipients	23,504	1,729	20,275	45,508
Receipt of Interest and Fees from Loan Recipients	12,120	2	3,870	15,992
Receipts from Insured	-	-	188,017	188,017
Payments to Employees	(4,157)	-	(568)	(4,725)
Payments to Suppliers	-	-	(476)	(476)
Payments to Loan Recipients	(20,728)	(3,568)	(33,901)	(58,197)
Claims Paid	-	-	(327,638)	(327,638)
Payments for Interfund Services Used	(203)	(10)	(183)	(396)
Other Receipts	(282)	-	553	271
Other Payments	(14)	(12)	(96)	(122)
Net Cash Provided (Used) by Operating Activities	<u>10,786</u>	<u>(1,859)</u>	<u>(59,510)</u>	<u>(50,583)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	(175)	-	(1,004)	(1,179)
Operating Subsidies and Transfers In from Other Funds	-	5	201	206
Federal Grants	-	-	14,272	14,272
Proceeds from Issuance of Short-term Debt	-	-	5,193	5,193
Payments on Short-term Debt	-	-	(5,154)	(5,154)
Interest and Fees Paid on Borrowing	-	-	(5)	(5)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(175)</u>	<u>5</u>	<u>13,503</u>	<u>13,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	-	532	532
Acquisition and Construction of Capital Assets	-	-	(3,303)	(3,303)
Interest and Fees Paid on Capital Debt	-	-	(427)	(427)
Federal Grants	-	-	3,343	3,343
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>145</u>	<u>145</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	-	-	21	21
Interest and Dividends on Investments	78	105	11,994	12,177
Net Cash Provided (Used) by Investing Activities	<u>78</u>	<u>105</u>	<u>12,015</u>	<u>12,198</u>
Net Increase (Decrease) in Cash	10,689	(1,749)	(33,847)	(24,907)
Cash and Cash Equivalents - Beginning of Year	76,868	6,717	382,903	466,488
Cash and Cash Equivalents - End of Year	<u>\$ 87,557</u>	<u>\$ 4,968</u>	<u>\$ 349,056</u>	<u>\$ 441,581</u>

This statement continued on the next page.

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(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)	\$ 4,160	\$ (663)	\$ (41,629)	\$ (38,132)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	-	-	36	36
Other Reconciling Items	-	-	(143)	(143)
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	-	-	(2,841)	(2,841)
Due from Other Funds	44	(5)	714	753
Due from Other Governments	-	-	421	421
Loans, Notes, and Bonds Receivable - Net	3,326	(1,174)	(13,718)	(11,566)
Repossessed Property	-	-	36	36
Investment in Projects, Partnerships, or Corporations	-	-	2	2
Interest and Dividends Receivable - Net	3,533	-	(413)	3,120
Other Assets	(260)	-	51	(209)
Due to Other Funds	(17)	(5)	45	23
Due to Other Governments	-	-	(1,561)	(1,561)
Accounts Payable and Accrued Liabilities	-	(12)	(301)	(313)
Other Liabilities	-	-	(209)	(209)
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,786</u>	<u>\$ (1,859)</u>	<u>\$ (59,510)</u>	<u>\$ (50,583)</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 87,557	\$ 4,968	\$ 349,056	\$ 441,581
Cash, End of Year	<u>\$ 87,557</u>	<u>\$ 4,968</u>	<u>\$ 349,056</u>	<u>\$ 441,581</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	-	-	811	811
Net Income (Loss) on Investment	78	105	-	183
Transfers (Out to) Other Funds (Accrual)	(175)	-	-	(175)
Transfers In from Other Funds (Accrual)	-	5	-	5

STATE OF ALASKA
Combining Statement of Net Assets
Commercial Assistance Enterprise Funds
June 30, 2011
(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	\$ -	\$ -	\$ 30,296
Accounts Receivable - Net	234	-	-
Interest and Dividends Receivable	-	-	2,381
Loans, Notes, and Bonds Receivable	-	-	5,589
Total Current Assets	<u>234</u>	<u>-</u>	<u>38,266</u>
Noncurrent Assets:			
Interest and Dividends Receivable	-	-	2,104
Loans, Notes, and Bonds Receivable	-	-	64,369
Repossessed Property	-	-	22
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>66,495</u>
Total Assets	<u>234</u>	<u>-</u>	<u>104,761</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	-	41
Due to Other Funds	-	-	519
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>560</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>560</u>
NET ASSETS			
Unrestricted	234	-	104,201
Total Net Assets	<u>\$ 234</u>	<u>\$ -</u>	<u>\$ 104,201</u>

STATEMENT 4.11

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 96	\$ 52,337	\$ 203	\$ 4,625	\$ 87,557
-	-	-	-	234
-	1,663	-	11	4,055
16	773	-	53	6,431
<u>112</u>	<u>54,773</u>	<u>203</u>	<u>4,689</u>	<u>98,277</u>
-	14,178	-	-	16,282
25	38,671	-	478	103,543
-	-	-	-	22
<u>25</u>	<u>52,849</u>	<u>-</u>	<u>478</u>	<u>119,847</u>
<u>137</u>	<u>107,622</u>	<u>203</u>	<u>5,167</u>	<u>218,124</u>
-	-	-	-	41
21	-	3	-	543
-	260	-	-	260
<u>21</u>	<u>260</u>	<u>3</u>	<u>-</u>	<u>844</u>
<u>21</u>	<u>260</u>	<u>3</u>	<u>-</u>	<u>844</u>
116	107,362	200	5,167	217,280
<u>\$ 116</u>	<u>\$ 107,362</u>	<u>\$ 200</u>	<u>\$ 5,167</u>	<u>\$ 217,280</u>

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, 2011

(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	\$ -	\$ -	\$ 256
Interest and Investment Income	-	-	4,514
Allowance for Uncollectible Interest	-	-	(1)
Fines and Forfeitures	-	-	35
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>4,804</u>
OPERATING EXPENSES			
Operating	-	-	3,601
Provision for Loan Losses and Forgiveness	-	-	356
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>3,957</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>847</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	-	-	-
Other Nonoperating Revenues (Expenses)	-	-	-
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>
Income Before Capital Contributions and Transfers	<u>-</u>	<u>-</u>	<u>847</u>
Transfers (Out to) Other Funds	-	-	-
Change in Net Assets	-	-	847
Total Net Assets - Beginning of Year	234	-	103,354
Total Net Assets - End of Year	<u>\$ 234</u>	<u>\$ -</u>	<u>\$ 104,201</u>

STATEMENT 4.12

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ -	\$ 8	\$ -	\$ -	\$ 264
3	2,589	-	17	7,123
-	1,427	-	-	1,426
-	-	-	-	35
<u>3</u>	<u>4,024</u>	<u>-</u>	<u>17</u>	<u>8,848</u>
-	576	-	24	4,201
<u>(1)</u>	<u>129</u>	<u>(3)</u>	<u>6</u>	<u>487</u>
<u>(1)</u>	<u>705</u>	<u>(3)</u>	<u>30</u>	<u>4,688</u>
<u>4</u>	<u>3,319</u>	<u>3</u>	<u>(13)</u>	<u>4,160</u>
-	-	-	78	78
<u>-</u>	<u>650</u>	<u>-</u>	<u>-</u>	<u>650</u>
<u>-</u>	<u>650</u>	<u>-</u>	<u>78</u>	<u>728</u>
<u>4</u>	<u>3,969</u>	<u>3</u>	<u>65</u>	<u>4,888</u>
<u>(21)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(24)</u>
<u>(17)</u>	<u>3,969</u>	<u>-</u>	<u>65</u>	<u>4,864</u>
<u>133</u>	<u>103,393</u>	<u>200</u>	<u>5,102</u>	<u>212,416</u>
<u>\$ 116</u>	<u>\$ 107,362</u>	<u>\$ 200</u>	<u>\$ 5,167</u>	<u>\$ 217,280</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(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	\$ -	\$ -	\$ 348
Receipts for Interfund Services Provided	-	-	201
Receipts of Principal from Loan Recipients	-	-	11,306
Receipt of Interest and Fees from Loan Recipients	-	-	4,802
Payments to Employees	-	-	(3,581)
Payments to Loan Recipients	-	-	(19,250)
Payments for Interfund Services Used	-	-	-
Other Receipts	-	-	(282)
Other Payments	-	-	10
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>-</u>	<u>(6,446)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(100)	(51)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(100)</u>	<u>(51)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends on Investments	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(100)	(51)	(6,446)
Cash and Cash Equivalents - Beginning of Year	100	51	36,742
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,296</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ -	\$ -	\$ 847
Net Changes in Assets and Liabilities:			
Due From Other Funds	-	-	43
Loans, Notes and Bonds Receivable - Net	-	-	(7,516)
Interest and Dividends Receivable - Net	-	-	254
Other Assets	-	-	(260)
Due to Other Funds	-	-	186
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,446)</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ -	\$ -	\$ 30,296
Cash, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,296</u>
Noncash Investing, Capital, and Financing Activities:			
Net Income (Loss) on Investment	-	-	-
Transfers (Out to) Other Funds (Accrual)	(100)	(51)	-

STATEMENT 4.13

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ -	\$ (3)	\$ -	\$ -	\$ 345
-	-	-	-	201
17	12,137	4	40	23,504
4	7,304	-	10	12,120
-	(576)	-	-	(4,157)
-	(1,282)	-	(196)	(20,728)
-	(203)	-	-	(203)
-	-	-	-	(282)
-	-	-	(24)	(14)
<u>21</u>	<u>17,377</u>	<u>4</u>	<u>(170)</u>	<u>10,786</u>
(21)	-	(3)	-	(175)
<u>(21)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(175)</u>
-	-	-	78	78
-	-	-	78	78
-	17,377	1	(92)	10,689
96	34,960	202	4,717	76,868
<u>\$ 96</u>	<u>\$ 52,337</u>	<u>\$ 203</u>	<u>\$ 4,625</u>	<u>\$ 87,557</u>
\$ 4	\$ 3,319	\$ 3	\$ (13)	\$ 4,160
-	-	1	-	44
16	10,976	-	(150)	3,326
1	3,285	-	(7)	3,533
-	-	-	-	(260)
-	(203)	-	-	(17)
<u>\$ 21</u>	<u>\$ 17,377</u>	<u>\$ 4</u>	<u>\$ (170)</u>	<u>\$ 10,786</u>
\$ 96	\$ 52,337	\$ 203	\$ 4,625	\$ 87,557
<u>\$ 96</u>	<u>\$ 52,337</u>	<u>\$ 203</u>	<u>\$ 4,625</u>	<u>\$ 87,557</u>
-	-	-	78	78
(21)	-	(3)	-	(175)

STATE OF ALASKA
 Combining Statement of Net Assets
 Energy Assistance Enterprise Funds
 June 30, 2011
 (Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 128	\$ 2	\$ 4,838	\$ 4,968
Due from Other Funds	5	-	-	5
Loans, Notes, and Bonds Receivable	-	-	1,534	1,534
Total Current Assets	<u>133</u>	<u>2</u>	<u>6,372</u>	<u>6,507</u>
Noncurrent Assets:				
Loans, Notes, and Bonds Receivable	1	-	656	657
Total Noncurrent Assets	<u>1</u>	<u>-</u>	<u>656</u>	<u>657</u>
Total Assets	<u>134</u>	<u>2</u>	<u>7,028</u>	<u>7,164</u>
NET ASSETS				
Unrestricted	134	2	7,028	7,164
Total Net Assets	<u>\$ 134</u>	<u>\$ 2</u>	<u>\$ 7,028</u>	<u>\$ 7,164</u>

STATE OF ALASKA
 Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Energy Assistance Enterprise Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

STATEMENT 4.22

	Alternative Energy Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
OPERATING REVENUES				
Interest and Investment Income	\$ 2	\$ -	\$ -	\$ 2
Total Operating Revenues	2	-	-	2
OPERATING EXPENSES				
Provision for Loan Losses and Forgiveness	-	-	665	665
Total Operating Expenses	-	-	665	665
Operating Income (Loss)	2	-	(665)	(663)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	-	-	105	105
Total Nonoperating Revenues (Expenses)	-	-	105	105
Income Before Capital Contributions and Transfers	2	-	(560)	(558)
Transfers In from Other Funds	5	-	-	5
Change in Net Assets	7	-	(560)	(553)
Total Net Assets - Beginning of Year	127	2	7,588	7,717
Total Net Assets - End of Year	\$ 134	\$ 2	\$ 7,028	\$ 7,164

STATE OF ALASKA
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 4.23

	Alternative Energy Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts of Principal from Loan Recipients	\$ 1	\$ -	\$ 1,728	\$ 1,729
Receipt of Interest and Fees from Loan Recipients	2	-	-	2
Payments to Loan Recipients	-	-	(3,568)	(3,568)
Payments for Interfund Services Used	(10)	-	-	(10)
Other Payments	-	-	(12)	(12)
Net Cash Provided (Used) by Operating Activities	<u>(7)</u>	<u>-</u>	<u>(1,852)</u>	<u>(1,859)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers In from Other Funds	5	-	-	5
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	-	-	105	105
Net Cash Provided (Used) by Investing Activities	-	-	105	105
Net Increase (Decrease) in Cash	(2)	-	(1,747)	(1,749)
Cash and Cash Equivalents - Beginning of Year	130	2	6,585	6,717
Cash and Cash Equivalents - End of Year	<u>\$ 128</u>	<u>\$ 2</u>	<u>\$ 4,838</u>	<u>\$ 4,968</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2	\$ -	\$ (665)	\$ (663)
Net Changes in Assets and Liabilities:				
Due from Other Funds	(5)	-	-	(5)
Loans, Notes, and Bonds Receivable - Net	1	-	(1,175)	(1,174)
Due to Other Funds	(5)	-	-	(5)
Accounts Payable and Accrued Liabilities	-	-	(12)	(12)
Net Cash Provided (Used) by Operating Activities	<u>\$ (7)</u>	<u>\$ -</u>	<u>\$ (1,852)</u>	<u>\$ (1,859)</u>
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 128	\$ 2	\$ 4,838	\$ 4,968
Cash, End of Year	<u>\$ 128</u>	<u>\$ 2</u>	<u>\$ 4,838</u>	<u>\$ 4,968</u>
Noncash Investing, Capital, and Financing Activities:				
Net Income (Loss) on Investment	-	-	105	105
Transfers In from Other Funds (Accrual)	5	-	-	5



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STATE OF ALASKA
Combining Statement of Net Assets
Other Agencies Enterprise Funds
June 30, 2011
(Stated in Thousands)

STATEMENT 4.31

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
ASSETS			
Current Assets:			
Cash and Investments	\$ 217	\$ 4,559	\$ 91,627
Accounts Receivable - Net	-	82	540
Interest and Dividends Receivable	-	118	1,081
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	1,217	11,275
Other Current Assets	-	-	-
Total Current Assets	<u>217</u>	<u>5,976</u>	<u>104,523</u>
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	-	12,600	121,823
Reposessed Property	-	615	-
Investment in Projects, Partnerships, or Corporations	-	3,777	-
Other Noncurrent Assets	-	142	-
Capital Assets:			
Construction in Progress	-	-	-
Total Noncurrent Assets	<u>-</u>	<u>17,134</u>	<u>121,823</u>
Total Assets	<u>217</u>	<u>23,110</u>	<u>226,346</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	164	318
Due to Other Funds	-	36	-
Due to Other Governments	-	-	-
Claims, Judgments, Compensated Absences and Pollution Remediation	-	31	-
Other Current Liabilities	-	-	-
Total Current Liabilities	<u>-</u>	<u>231</u>	<u>318</u>
Noncurrent Liabilities:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	152	-
Total Noncurrent Liabilities	<u>-</u>	<u>152</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>383</u>	<u>318</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	-	-
Restricted for:			
Unemployment Compensation	-	-	-
Health and Human Services	-	-	226,028
Other Purposes	217	-	-
Unrestricted	-	22,727	-
Total Net Assets	<u>\$ 217</u>	<u>\$ 22,727</u>	<u>\$ 226,028</u>

STATEMENT 4.31

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
\$ 34,605	\$ -	\$ 218,048	\$ 349,056
454	-	15,844	16,920
907	-	-	2,106
-	-	88	88
3	-	2,771	2,774
6,470	-	-	18,962
-	57	-	57
<u>42,439</u>	<u>57</u>	<u>236,751</u>	<u>389,963</u>
129,417	-	-	263,840
-	-	-	615
-	-	-	3,777
-	2,746	-	2,888
-	45,191	-	45,191
<u>129,417</u>	<u>47,937</u>	<u>-</u>	<u>316,311</u>
<u>171,856</u>	<u>47,994</u>	<u>236,751</u>	<u>706,274</u>
-	1,335	3,093	4,910
-	689	1,564	2,289
4,072	-	2,513	6,585
-	-	-	31
-	375	2	377
<u>4,072</u>	<u>2,399</u>	<u>7,172</u>	<u>14,192</u>
-	-	-	152
-	-	-	152
<u>4,072</u>	<u>2,399</u>	<u>7,172</u>	<u>14,344</u>
-	45,191	-	45,191
-	-	229,579	229,579
167,784	-	-	393,812
-	-	-	217
-	404	-	23,131
<u>\$ 167,784</u>	<u>\$ 45,595</u>	<u>\$ 229,579</u>	<u>\$ 691,930</u>

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Other Agencies Enterprise Funds
 For the Fiscal Year Ended June 30, 2011
 (Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
OPERATING REVENUES			
Premiums and Contributions	\$ -	\$ -	\$ -
Charges for Goods and Services	-	13	640
Interest and Investment Income	-	633	1,321
Fines and Forfeitures	-	14	10
Federal Reimbursements	-	-	-
Total Operating Revenues	<u>-</u>	<u>660</u>	<u>1,971</u>
OPERATING EXPENSES			
Benefits	-	-	-
Operating	-	351	-
Depreciation	-	36	-
Total Operating Expenses	<u>-</u>	<u>387</u>	<u>-</u>
Operating Income (Loss)	<u>-</u>	<u>273</u>	<u>1,971</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	3	21	1,443
Interest and Investment Expense	-	(2)	(2)
Other Nonoperating Revenues (Expenses)	-	(162)	-
Total Nonoperating Revenues (Expenses)	<u>3</u>	<u>(143)</u>	<u>1,441</u>
Income Before Capital Contributions and Transfers	3	130	3,412
Capital Contributions	-	-	3,669
Transfers In from Other Funds	-	34	-
Transfers (Out to) Other Funds	-	-	-
Change in Net Assets	<u>3</u>	<u>164</u>	<u>7,081</u>
Total Net Assets - Beginning of Year	214	22,563	218,947
Total Net Assets - End of Year	<u>\$ 217</u>	<u>\$ 22,727</u>	<u>\$ 226,028</u>

STATEMENT 4.32

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
\$ -	\$ -	\$ 190,321	\$ 190,321
614	-	-	1,267
1,204	-	-	3,158
-	-	-	24
-	-	90,287	90,287
<u>1,818</u>	<u>-</u>	<u>280,608</u>	<u>285,057</u>
-	-	325,040	325,040
-	1,259	-	1,610
-	-	-	36
-	1,259	325,040	326,686
<u>1,818</u>	<u>(1,259)</u>	<u>(44,432)</u>	<u>(41,629)</u>
638	-	9,910	12,015
(3)	-	-	(7)
-	1,674	-	1,512
<u>635</u>	<u>1,674</u>	<u>9,910</u>	<u>13,520</u>
2,453	415	(34,522)	(28,109)
5,809	4,114	145	13,737
-	-	-	34
-	-	(948)	(948)
<u>8,262</u>	<u>4,529</u>	<u>(35,325)</u>	<u>(15,286)</u>
159,522	41,066	264,904	707,216
<u>\$ 167,784</u>	<u>\$ 45,595</u>	<u>\$ 229,579</u>	<u>\$ 691,930</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 4.33

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$ -	\$ -
Receipts from Customers	-	36
Receipts of Principal from Loan Recipients	-	1,560
Receipt of Interest and Fees from Loan Recipients	-	651
Receipts from Insured	-	-
Payments to Employees	-	(189)
Payments to Suppliers	-	(110)
Payments to Loan Recipients	-	(2,497)
Claims Paid	-	-
Payments for Interfund Services Used	-	-
Other Receipts	-	553
Other Payments	-	(97)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>(93)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds	-	(56)
Operating Subsidies and Transfers In from Other Funds	-	34
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>-</u>	<u>(22)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	-	-
Acquisition and Construction of Capital Assets	-	-
Interest and Fees Paid on Capital Debt	-	-
Federal Grants	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales/Maturities of Investments	-	21
Interest and Dividends on Investments	3	-
Net Cash Provided (Used) by Investing Activities	<u>3</u>	<u>21</u>
Net Increase (Decrease) in Cash	3	(94)
Cash and Cash Equivalents - Beginning of Year	214	4,653
Cash and Cash Equivalents - End of Year	<u>\$ 217</u>	<u>\$ 4,559</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ -	\$ 273
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	-	36
Other Reconciling Items	-	(143)
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	-	5
Due From Other Funds	-	570
Due From Other Governments	-	-
Loans, Notes and Bonds Receivable - Net	-	(1,068)
Repossessed Property	-	36
Investment in Projects, Partnerships, or Corporations	-	2
Interest and Dividends Receivable - Net	-	(10)
Other Assets	-	61
Due to Other Funds	-	36
Due to Other Governments	-	-
Accounts Payable and Accrued Liabilities	-	144
Other Liabilities	-	(35)
Net Cash Provided (Used) by Operating Activities	<u>\$ -</u>	<u>\$ (93)</u>
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 217	\$ 4,559
Cash, End of Year	<u>\$ 217</u>	<u>\$ 4,559</u>
Noncash investing, Capital, and Financing Activities:		
Contributed Capital Assets	-	-

Alaska Clean Water	Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
\$ 314	\$ -	\$ -	\$ 90,287	\$ 90,601
-	-	-	-	36
11,821	6,894	-	-	20,275
1,725	1,494	-	-	3,870
-	-	-	188,017	188,017
-	-	(379)	-	(568)
-	-	(366)	-	(476)
(8,356)	(23,048)	-	-	(33,901)
-	-	-	(327,638)	(327,638)
-	-	(183)	-	(183)
-	-	-	-	553
-	1	-	-	(96)
<u>5,504</u>	<u>(14,659)</u>	<u>(928)</u>	<u>(49,334)</u>	<u>(59,510)</u>
-	-	-	(948)	(1,004)
-	-	167	-	201
3,669	9,881	722	-	14,272
2,439	2,715	39	-	5,193
(2,439)	(2,715)	-	-	(5,154)
(2)	(3)	-	-	(5)
<u>3,667</u>	<u>9,878</u>	<u>928</u>	<u>(948)</u>	<u>13,503</u>
-	-	387	145	532
-	-	(3,303)	-	(3,303)
-	-	(427)	-	(427)
-	-	3,343	-	3,343
-	-	-	145	145
-	-	-	-	21
1,443	638	-	9,910	11,994
1,443	638	-	9,910	12,015
10,614	(4,143)	-	(40,227)	(33,847)
81,013	38,748	-	258,275	382,903
<u>\$ 91,627</u>	<u>\$ 34,605</u>	<u>\$ -</u>	<u>\$ 218,048</u>	<u>\$ 349,056</u>
\$ 1,971	\$ 1,818	\$ (1,259)	\$ (44,432)	\$ (41,629)
-	-	-	-	36
-	-	-	-	(143)
(81)	(125)	-	(2,640)	(2,841)
-	-	228	(84)	714
-	1	-	420	421
3,462	(16,112)	-	-	(13,718)
-	-	-	-	36
-	-	-	-	2
(162)	(241)	-	-	(413)
-	-	(10)	-	51
(1)	-	-	10	45
-	-	-	(1,561)	(1,561)
315	-	97	(857)	(301)
-	-	16	(190)	(209)
<u>\$ 5,504</u>	<u>\$ (14,659)</u>	<u>\$ (928)</u>	<u>\$ (49,334)</u>	<u>\$ (59,510)</u>
\$ 91,627	\$ 34,605	\$ -	\$ 218,048	\$ 349,056
<u>\$ 91,627</u>	<u>\$ 34,605</u>	<u>\$ -</u>	<u>\$ 218,048</u>	<u>\$ 349,056</u>
-	-	811	-	811



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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 ten state owned buildings and two parking facilities. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- **Group Health and Life Benefits Fund (Fund 11135)** – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the State began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- **Highways Equipment Working Capital Fund (Fund 22652)** – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- **Information Services Fund (Fund 22500)** – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the State's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.



STATE OF ALASKA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011
(Stated in Thousands)

STATEMENT 4.41

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	\$ 40,155	\$ 11,479
Accounts Receivable - Net	95	499
Due from Other Funds	-	-
Inventories	-	-
Other Current Assets	841	-
Total Current Assets	<u>41,091</u>	<u>11,978</u>
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation	-	-
Buildings, Net of Depreciation	-	111,730
Construction in Progress	-	27
Total Noncurrent Assets	<u>-</u>	<u>111,757</u>
Total Assets	<u>41,091</u>	<u>123,735</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	14,304	1,327
Due to Other Funds	1,151	415
Claims, Judgments, Compensated Absences and Pollution Remediation	16	113
Total Current Liabilities	<u>15,471</u>	<u>1,855</u>
Noncurrent Liabilities:		
Claims, Judgments, Compensated Absences and Pollution Remediation	6	6
Total Noncurrent Liabilities	<u>6</u>	<u>6</u>
Total Liabilities	<u>15,477</u>	<u>1,861</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	-	111,757
Unrestricted	25,614	10,117
Total Net Assets	<u>\$ 25,614</u>	<u>\$ 121,874</u>

STATEMENT 4.41

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 26,561	\$ 28,966	\$ 107,161
3	19	616
987	3,682	4,669
-	3,418	3,418
1,732	1	2,574
<u>29,283</u>	<u>36,086</u>	<u>118,438</u>
50,464	111,987	162,451
-	106	111,836
7,269	-	7,296
<u>57,733</u>	<u>112,093</u>	<u>281,583</u>
<u>87,016</u>	<u>148,179</u>	<u>400,021</u>
2,685	1,813	20,129
-	-	1,566
1,019	1,285	2,433
<u>3,704</u>	<u>3,098</u>	<u>24,128</u>
515	435	962
515	435	962
<u>4,219</u>	<u>3,533</u>	<u>25,090</u>
57,733	112,093	281,583
25,064	32,553	93,348
<u>\$ 82,797</u>	<u>\$ 144,646</u>	<u>\$ 374,931</u>

STATE OF ALASKA

STATEMENT 4.42

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2011

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
OPERATING REVENUES		
Premiums and Contributions	\$ 97,664	\$ -
Charges for Goods and Services	-	14,793
Other Operating Revenues	1,852	-
Total Operating Revenues	<u>99,516</u>	<u>14,793</u>
OPERATING EXPENSES		
Benefits	90,753	-
Operating	3,701	11,894
Depreciation	-	4,691
Total Operating Expenses	<u>94,454</u>	<u>16,585</u>
Operating Income (Loss)	<u>5,062</u>	<u>(1,792)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	631	-
Interest and Investment Expense	-	-
Gain (Loss) on Disposal of Capital Assets	-	-
Other Nonoperating Revenues (Expenses)	-	-
Total Nonoperating Revenues (Expenses)	<u>631</u>	<u>-</u>
Income Before Capital Contributions and Transfers	5,693	(1,792)
Capital Contributions	-	2,961
Transfers In from Other Funds	-	159
Change in Net Assets	5,693	1,328
Total Net Assets - Beginning of Year	19,921	120,546
Total Net Assets - End of Year	<u>\$ 25,614</u>	<u>\$ 121,874</u>

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ -	\$ -	\$ 97,664
35,176	51,965	101,934
-	-	1,852
<u>35,176</u>	<u>51,965</u>	<u>201,450</u>
-	-	90,753
48,175	29,882	93,652
5,284	14,899	24,874
<u>53,459</u>	<u>44,781</u>	<u>209,279</u>
<u>(18,283)</u>	<u>7,184</u>	<u>(7,829)</u>
-	-	631
(3)	-	(3)
-	101	101
-	296	296
<u>(3)</u>	<u>397</u>	<u>1,025</u>
<u>(18,286)</u>	<u>7,581</u>	<u>(6,804)</u>
-	3,891	6,852
<u>11,980</u>	<u>836</u>	<u>12,975</u>
<u>(6,306)</u>	<u>12,308</u>	<u>13,023</u>
<u>89,103</u>	<u>132,338</u>	<u>361,908</u>
<u>\$ 82,797</u>	<u>\$ 144,646</u>	<u>\$ 374,931</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(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	-	358
Receipts for Interfund Services Provided	-	15,777
Receipts from Insured	97,668	-
Payments to Employees	(197)	(1,566)
Payments to Suppliers	(3,478)	(10,820)
Claims Paid	(91,558)	-
Other Receipts	1,789	1
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	<u>4,224</u>	<u>3,750</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds	-	-
Operating Subsidies and Transfers In from Other Funds	-	159
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>159</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	-
Acquisition and Construction of Capital Assets	-	(3,977)
Principal Paid on Capital Debt	-	-
Interest and Fees Paid on Capital Debt	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(3,977)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	631	-
Net Cash Provided (Used) by Investing Activities	<u>631</u>	<u>-</u>
Net Increase (Decrease) in Cash	4,855	(68)
Cash and Cash Equivalents - Beginning of Year	35,300	11,547
Cash and Cash Equivalents - End of Year	<u>\$ 40,155</u>	<u>\$ 11,479</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 5,062	\$ (1,792)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	-	4,691
Other Reconciling Items	-	-
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(59)	(438)
Due from Other Funds	-	1,366
Inventories	-	-
Other Assets	-	1
Due to Other Funds	365	415
Accounts Payable and Accrued Liabilities	(1,144)	(504)
Other Liabilities	-	11
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,224</u>	<u>\$ 3,750</u>
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 40,155	\$ 11,479
Cash, End of Year	<u>\$ 40,155</u>	<u>\$ 11,479</u>
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets	-	2,961

STATEMENT 4.43

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 111	\$ -	\$ 111
-	-	358
39,796	51,971	107,544
-	-	97,668
(14,544)	(16,327)	(32,634)
(34,904)	(12,197)	(61,399)
-	-	(91,558)
-	296	2,086
-	(722)	(722)
<u>(9,541)</u>	<u>23,021</u>	<u>21,454</u>
-	(389)	(389)
<u>11,980</u>	<u>-</u>	<u>12,139</u>
<u>11,980</u>	<u>(389)</u>	<u>11,750</u>
-	1,194	1,194
(4,729)	(15,624)	(24,330)
(325)	-	(325)
<u>(3)</u>	<u>-</u>	<u>(3)</u>
<u>(5,057)</u>	<u>(14,430)</u>	<u>(23,464)</u>
-	-	631
-	-	631
(2,618)	8,202	10,371
<u>29,179</u>	<u>20,764</u>	<u>96,790</u>
<u>\$ 26,561</u>	<u>\$ 28,966</u>	<u>\$ 107,161</u>
\$ (18,283)	\$ 7,184	\$ (7,829)
5,284	14,899	24,874
-	296	296
3	6	(488)
4,728	-	6,094
-	(72)	(72)
(680)	(1)	(680)
-	-	780
(920)	811	(1,757)
327	(102)	236
<u>\$ (9,541)</u>	<u>\$ 23,021</u>	<u>\$ 21,454</u>
\$ 26,561	\$ 28,966	\$ 107,161
<u>\$ 26,561</u>	<u>\$ 28,966</u>	<u>\$ 107,161</u>
-	3,969	6,930



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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 35003)** – 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 35006)** – AS 39.35.095-680, AS 39.35.700-990 – 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 35043)** – 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 35015)** – AS 14.25.009-220, AS 14.25.310-590 – 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)** – AS 23.05.220 - 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, 2011
(Stated in Thousands)

STATEMENT 5.01

	Retiree Health	Deferred Compensation	Supplemental Benefits
ASSETS			
Cash and Cash Equivalents	\$ 59,260	\$ 9,990	\$ 32,953
Investments:			
Short-Term Investments	-	1,092	3,511
Commercial Paper	226	-	-
U.S. Treasury	70,170	46,147	72,771
U.S. Government Agency	6,946	13,488	22,167
Foreign Corporate Bonds	-	-	-
Foreign Government Bonds	-	-	-
Mortgage-Backed	33,494	67,685	113,214
Other Asset-Backed	3,351	1,153	3,335
Corporate Bonds	29,096	24,504	40,932
Yankees	7,443	10,122	16,748
Mutual Funds	-	-	-
Fixed Income Pool	-	-	-
Domestic Equity Pool	41,687	-	-
International Equity Pool	22,445	-	-
Emerging Markets Pool	-	-	-
Private Equity Pool	-	-	-
Absolute Return Pool	-	-	-
Real Assets	-	-	-
Energy Pool	-	-	-
Farmland Pool	-	-	-
Timber Pool	-	-	-
Participant-Directed	-	406,270	2,187,773
Other Net Investments	-	-	-
Investment Loss Trust Fund Assets	-	-	1,913
Accounts Receivable - Net	-	-	-
Contributions Receivable	265	3,016	12,448
Interest and Dividends Receivable	6	-	-
Due from Other Funds	-	-	-
Other Assets	351	-	-
Total Assets	<u>274,740</u>	<u>583,467</u>	<u>2,507,765</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	22,806	119	2,980
Due to Other Funds	349	-	-
Total Liabilities	<u>23,155</u>	<u>119</u>	<u>2,980</u>
NET ASSETS			
Held in Trust for:			
Pension Benefits	-	-	-
Postemployment Healthcare Benefits	251,585	-	-
Individuals, Organizations, and Other Governments	-	583,348	2,504,785
Total Net Assets	<u>\$ 251,585</u>	<u>\$ 583,348</u>	<u>\$ 2,504,785</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
\$ 95,856	\$ 27,345	\$ 1,311	\$ 24	\$ 226,739
33,568	13,286	366	66	51,889
-	15,506	-	-	15,732
1,257,484	512,676	13,958	13,833	1,987,039
10,005	4,072	111	124	56,913
55,704	23,193	639	-	79,536
193,045	80,377	2,213	-	275,635
72,036	5,996	806	1,382	294,613
239	97	3	3	8,181
282,706	125,325	3,229	472	506,264
38,387	15,802	433	240	89,175
140,307	58,409	1,608	256	200,580
350	146	4	-	500
3,336,918	1,389,559	38,267	9,957	4,816,388
1,894,762	788,757	21,708	5,615	2,733,287
776,476	323,247	8,894	-	1,108,617
1,049,381	436,031	11,966	-	1,497,378
504,105	209,830	5,771	-	719,706
1,031,842	427,244	11,785	-	1,470,871
64,050	22,655	740	-	87,445
382,838	172,408	4,163	-	559,409
133,658	55,658	1,533	-	190,849
172,518	80,206	-	-	2,846,767
128,582	53,403	1,467	1,023	184,475
-	-	-	-	1,913
8,357	3,360	27	-	11,744
23,788	4,404	205	-	44,126
-	-	-	-	6
11,949	10,737	-	-	22,686
2,866	984	8	-	4,209
<u>11,701,777</u>	<u>4,860,713</u>	<u>131,215</u>	<u>32,995</u>	<u>20,092,672</u>
42,715	17,810	213	61	86,704
12,322	-	19	21	12,711
<u>55,037</u>	<u>17,810</u>	<u>232</u>	<u>82</u>	<u>99,415</u>
6,458,928	3,209,782	110,602	32,913	9,812,225
5,187,812	1,633,121	20,381	-	7,092,899
-	-	-	-	3,088,133
<u>\$ 11,646,740</u>	<u>\$ 4,842,903</u>	<u>\$ 130,983</u>	<u>\$ 32,913</u>	<u>\$ 19,993,257</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, 2011
(Stated in Thousands)

STATEMENT 5.02

	Retiree Health	Deferred Compensation	Supplemental Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	\$ 1,479	\$ -	\$ 75,970
Member	52,670	38,850	79,700
Other	-	-	2,342
Total Premiums and Contributions	<u>54,149</u>	<u>38,850</u>	<u>158,012</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	37,151	53,212	273,142
Interest	2,942	6,259	10,273
Dividends	2,344	-	-
Total Investment Income	<u>42,437</u>	<u>59,471</u>	<u>283,415</u>
Less Investment Expense	77	-	-
Net Investment Income	<u>42,360</u>	<u>59,471</u>	<u>283,415</u>
Other Additions	99	-	-
Total Additions	<u>96,608</u>	<u>98,321</u>	<u>441,427</u>
DEDUCTIONS			
Benefits Paid	39,307	33,883	119,720
Insurance Premiums	-	-	3,736
Refunds of Premiums and Contributions	-	-	-
Administrative Expenses	1,281	2,782	10,139
Total Deductions	<u>40,588</u>	<u>36,665</u>	<u>133,595</u>
Net Increase (Decrease) in Net Assets Held in Trust for:			
Pension Benefits	-	-	-
Postemployment Healthcare Benefits	56,020	-	-
Individuals, Organizations, and Other Governments	-	61,656	307,832
Net Assets - Beginning of the Year	195,565	521,692	2,196,953
Net Assets - End of the Year	<u>\$ 251,585</u>	<u>\$ 583,348</u>	<u>\$ 2,504,785</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
\$ 444,281	\$ 94,787	\$ 4,376	\$ 966	\$ 621,859
153,664	69,150	703	-	394,737
165,841	190,850	789	-	359,822
<u>763,786</u>	<u>354,787</u>	<u>5,868</u>	<u>966</u>	<u>1,376,418</u>
1,789,525	759,877	20,571	3,395	2,936,873
61,358	25,637	694	413	107,576
181,139	77,243	2,097	326	263,149
<u>2,032,022</u>	<u>862,757</u>	<u>23,362</u>	<u>4,134</u>	<u>3,307,598</u>
22,671	9,898	278	55	32,979
<u>2,009,351</u>	<u>852,859</u>	<u>23,084</u>	<u>4,079</u>	<u>3,274,619</u>
12,760	5,010	41	-	17,910
<u>2,785,897</u>	<u>1,212,656</u>	<u>28,993</u>	<u>5,045</u>	<u>4,668,947</u>
824,513	446,596	9,928	1,411	1,475,358
-	-	-	-	3,736
18,196	4,486	-	-	22,682
16,214	6,575	110	153	37,254
<u>858,923</u>	<u>457,657</u>	<u>10,038</u>	<u>1,564</u>	<u>1,539,030</u>
959,390	443,752	15,495	3,481	1,422,118
967,584	311,247	3,460	-	1,338,311
-	-	-	-	369,488
9,719,766	4,087,904	112,028	29,432	16,863,340
<u>\$ 11,646,740</u>	<u>\$ 4,842,903</u>	<u>\$ 130,983</u>	<u>\$ 32,913</u>	<u>\$ 19,993,257</u>

STATE OF ALASKA
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011
(Stated in Thousands)

STATEMENT 5.11

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	\$ 156,140	\$ 121
Investments	-	-
Accounts Receivable - Net	5	-
Due from Other Funds	1,858	-
Total Assets	<u>\$ 158,003</u>	<u>\$ 121</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,398	\$ 2
Trust Deposits Payable	151,171	119
Due to Other Funds	3,434	-
Total Liabilities	<u>\$ 158,003</u>	<u>\$ 121</u>

STATEMENT 5.11

Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
\$ 18,110	\$ -	\$ -	\$ 174,371
-	184,994	-	184,994
-	-	-	5
-	-	-	1,858
<u>\$ 18,110</u>	<u>\$ 184,994</u>	<u>\$ -</u>	<u>\$ 361,228</u>
\$ -	\$ -	\$ -	\$ 3,400
17,911	184,911	-	354,112
199	83	-	3,716
<u>\$ 18,110</u>	<u>\$ 184,994</u>	<u>\$ -</u>	<u>\$ 361,228</u>

STATE OF ALASKA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 136,317	\$ 140,471	\$ 120,648	\$ 156,140
Accounts Receivable - Net	6	-	1	5
Due from Other Funds	9,862	1,858	9,862	1,858
Total Assets	<u>\$ 146,185</u>	<u>\$ 142,329</u>	<u>\$ 130,511</u>	<u>\$ 158,003</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 3,245	\$ 61,109	\$ 60,956	\$ 3,398
Trust Deposits Payable	140,379	127,443	116,651	151,171
Due to Other Funds	2,561	4,808	3,935	3,434
Total Liabilities	<u>\$ 146,185</u>	<u>\$ 193,360</u>	<u>\$ 181,542</u>	<u>\$ 158,003</u>
<u>WAGE AND HOUR</u>				
ASSETS				
Cash and Cash Equivalents	\$ 123	\$ 221	\$ 223	\$ 121
Total Assets	<u>\$ 123</u>	<u>\$ 221</u>	<u>\$ 223</u>	<u>\$ 121</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 4	\$ 225	\$ 227	\$ 2
Trust Deposits Payable	118	224	223	119
Due to Other Funds	1	-	1	-
Total Liabilities	<u>\$ 123</u>	<u>\$ 449</u>	<u>\$ 451</u>	<u>\$ 121</u>
<u>PUBLIC ADVOCACY</u>				
ASSETS				
Cash and Cash Equivalents	\$ 15,095	\$ 22,756	\$ 19,741	\$ 18,110
Total Assets	<u>\$ 15,095</u>	<u>\$ 22,756</u>	<u>\$ 19,741</u>	<u>\$ 18,110</u>
LIABILITIES				
Trust Deposits Payable	\$ 15,044	\$ 11,376	\$ 8,509	\$ 17,911
Due to Other Funds	51	199	51	199
Total Liabilities	<u>\$ 15,095</u>	<u>\$ 11,575</u>	<u>\$ 8,560</u>	<u>\$ 18,110</u>
<u>EXXON VALDEZ OIL SPILL INVESTMENT</u>				
ASSETS				
Investments	\$ 162,483	\$ 45,835	\$ 23,324	\$ 184,994
Total Assets	<u>\$ 162,483</u>	<u>\$ 45,835</u>	<u>\$ 23,324</u>	<u>\$ 184,994</u>
LIABILITIES				
Trust Deposits Payable	\$ 162,420	\$ 45,752	\$ 23,261	\$ 184,911
Due to Other Funds	63	83	63	83
Total Liabilities	<u>\$ 162,483</u>	<u>\$ 45,835</u>	<u>\$ 23,324</u>	<u>\$ 184,994</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, 2011
 (Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>IMPACT AID PL 103-382</u>				
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 39,231	\$ 39,231	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 39,231</u>	<u>\$ 39,231</u>	<u>\$ -</u>
LIABILITIES				
Trust Deposits Payable	\$ -	\$ 39,231	\$ 39,231	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 39,231</u>	<u>\$ 39,231</u>	<u>\$ -</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 151,535	\$ 202,679	\$ 179,843	\$ 174,371
Investments	162,483	45,835	23,324	184,994
Accounts Receivable - Net	6	-	1	5
Due from Other Funds	9,862	1,858	9,862	1,858
Total Assets	<u>\$ 323,886</u>	<u>\$ 250,372</u>	<u>\$ 213,030</u>	<u>\$ 361,228</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 3,249	\$ 61,334	\$ 61,183	\$ 3,400
Trust Deposits Payable	317,961	224,026	187,875	354,112
Due to Other Funds	2,676	5,090	4,050	3,716
Total Liabilities	<u>\$ 323,886</u>	<u>\$ 290,450</u>	<u>\$ 253,108</u>	<u>\$ 361,228</u>



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Nonmajor Component Units

The nonmajor component units listed are significant separate legal entities that are discretely presented in the State's financial statements. The inclusion of component units in the State's financial statements reflects the State's financial accountability for these entities.

- **Alaska Aerospace Corporation (AAC)** – AS 14.40.821 – is a public corporation of the State located for administrative purposes within the Department of Commerce, Community, and Economic Development. The purpose of AAC 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.
- **Alaska Energy Authority (AEA)** – AS 44.83.020 – is a public corporation of the State within the Department of Commerce, Community, and Economic Development, but with a separate and independent legal existence. The purpose of AEA is 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.
- **Alaska Mental Health Trust Authority (AMHTA)** – AS 47.30.011 – is established as a public corporation of the State within the Department of Revenue. The purpose of AMHTA is to ensure an integrated comprehensive mental health program, by administering the trust established under the Alaska Mental Health Enabling Act of 1956.
- **Alaska Municipal Bond Bank Authority (AMBBA)** – AS 44.85.020 – 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. 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.
- **Alaska Natural Gas Development Authority (ANGDA)** – AS 41.41.010 – is a public corporation and government instrumentality of the State within the Department of Revenue, but having a legal existence independent of and separate from the State. The purpose of ANGDA is to bring natural gas from the North Slope to market.
- **Alaska Railroad Corporation (ARRC)** – AS 42.40.010 – is a public corporation and an instrumentality of the State within the Department of Commerce, Community, and Economic Development, but with a legal existence independent of and separate from the State. ARRC was created to own and operate the railroad and manage its rail, industrial, port, and other properties.
- **Alaska Seafood Marketing Institute (ASMI)** – AS 16.51.010 – is a public corporation and an instrumentality of the State within the Department of Commerce, Community, and Economic Development, but with a legal existence independent of and separate from the State. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and develop market-oriented quality specifications.
- **Alaska Student Loan Corporation (ASLC)** – AS 14.42.100 – 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. The purpose of ASLC is to improve higher educational opportunities for residents of the State.

STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2011
(Stated in Thousands)

STATEMENT 6.01

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
ASSETS			
Cash and Investments	\$ 77,515	\$ 29,189	\$ 33,488
Accounts Receivable - Net	-	-	21,573
Interest and Dividends Receivable	9,188	3,059	-
Due from Primary Government	-	-	1,460
Due from Component Units	-	-	-
Due from Other Governments	-	-	10,216
Loans, Notes, and Bonds Receivable	689,890	66,959	-
Inventories	-	-	9,223
Securities Lending Collateral	-	-	-
Restricted Assets	-	637,446	47,188
Other Assets	-	101	1,867
Capital Assets:			
Equipment, Net of Depreciation	-	-	146,372
Buildings, Net of Depreciation	-	-	415
Infrastructure, Net of Depreciation	-	-	558,876
Land / Right-of-Way	-	-	33,089
Construction in Progress	-	-	22,250
Total Assets	<u>776,593</u>	<u>736,754</u>	<u>886,017</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	62	717	22,747
Obligations Under Securities Lending	-	-	-
Due to Primary Government	6,000	78,830	-
Due to Component Units	-	-	-
Due to Other Governments	-	1,285	-
Interest Payable	9,084	3,464	2,852
Other Current Liabilities	-	999	-
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-	1,059
Unearned and Deferred Revenue	1,700	-	3,701
Notes, Bonds, and Leases Payable	41,560	56,156	13,504
Other Long-term Debt	3,497	-	-
Portion Due or Payable After One Year:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-	1,257
Unearned and Deferred Revenue	-	11	447,518
Notes, Bonds, and Leases Payable	661,145	378,353	159,161
Other Long-term Debt	7,283	-	-
Other Noncurrent Liabilities	-	111	1,589
Total Liabilities	<u>730,331</u>	<u>519,926</u>	<u>653,388</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	-	166,416
Restricted for:			
Permanent Funds			
Nonexpendable	-	-	-
Expendable	-	-	-
Education	-	119,154	-
Development	-	-	66,213
Debt Service	32,338	-	-
Other Purposes	-	-	-
Unrestricted	13,924	97,674	-
Total Net Assets	<u>\$ 46,262</u>	<u>\$ 216,828</u>	<u>\$ 232,629</u>

STATEMENT 6.01

Alaska Energy Authority	Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Alaska Seafood Marketing Institute	Total Nonmajor Component Units
\$ 577,376	\$ 9,084	\$ 491,229	\$ 755	\$ 12,129	\$ 1,230,765
1,940	-	16	-	-	23,529
1,114	-	5,303	-	-	18,664
402,594	-	-	-	-	404,054
1,092	-	-	-	-	1,092
1,940	2,599	-	-	821	15,576
3,325	-	4,119	-	-	764,293
-	511	-	-	-	9,734
-	-	36,477	-	-	36,477
-	-	-	-	-	684,634
-	-	12	-	21	2,001
142	42,481	112	-	-	189,107
-	29,241	11,089	-	-	40,745
222,853	8,525	-	-	-	790,254
-	-	2,428	7,664	-	43,181
4,443	3,344	-	-	-	30,037
<u>1,216,819</u>	<u>95,785</u>	<u>550,785</u>	<u>8,419</u>	<u>12,971</u>	<u>4,284,143</u>
26,641	598	11,481	39	1,753	64,038
-	-	36,477	-	-	36,477
162	-	267	37	3,876	89,172
1,759	-	-	-	-	1,759
-	-	-	-	-	1,285
2,805	-	-	-	-	18,205
-	-	-	-	-	999
-	835	555	39	104	2,592
7,070	-	186	-	-	12,657
6,495	-	-	-	-	117,715
-	-	-	-	-	3,497
-	-	-	39	182	1,478
-	3,677	-	-	-	451,206
94,676	-	-	-	-	1,293,335
-	-	-	-	-	7,283
1,302	-	-	-	-	3,002
<u>140,910</u>	<u>5,110</u>	<u>48,966</u>	<u>154</u>	<u>5,915</u>	<u>2,104,700</u>
126,267	83,591	13,629	7,664	-	397,567
-	-	390,747	-	-	390,747
-	-	97,443	-	-	97,443
-	-	-	-	-	119,154
-	-	-	-	-	66,213
19,565	-	-	-	-	51,903
17,083	-	-	-	7,056	24,139
912,994	7,084	-	601	-	1,032,277
<u>\$ 1,075,909</u>	<u>\$ 90,675</u>	<u>\$ 501,819</u>	<u>\$ 8,265</u>	<u>\$ 7,056</u>	<u>\$ 2,179,443</u>

STATE OF ALASKA
 Combining Statement of Activities
 Nonmajor Component Units
 For the Fiscal Year Ended June 30, 2011
 (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	\$ 30,677	\$ -	\$ -	\$ -
Alaska Student Loan Corporation	30,152	37,136	-	-
Alaska Railroad Corporation	150,805	124,529	9,816	35,238
Alaska Energy Authority	118,678	20,865	26,404	-
Alaska Aerospace Corporation	18,910	10,172	4,000	2,078
Alaska Mental Health Trust Authority	23,077	16,958	80,446	-
Alaska Natural Gas Development Authority	945	-	337	-
Alaska Seafood Marketing Institute	15,834	134	4,307	-
Total Nonmajor Component Units	<u>\$ 389,078</u>	<u>\$ 209,794</u>	<u>\$ 125,310</u>	<u>\$ 37,316</u>

General Revenues:

Interest and Investment Income (Loss)
 Taxes
 Payments In from Primary Government
 Loss on Sale of Loans to Component Units
 Other Revenues

Special Items:

Impairment of Capital Asset
 Gain on Cancellation of Bonds
 Total General Revenues and Special Items
 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 Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Alaska Seafood Marketing Institute	Total Nonmajor Component Units
\$ (30,677)	\$ 6,984	\$ 18,778	\$ (71,409)	\$ (2,660)	\$ 74,327	\$ (608)	\$ (11,393)	\$ (30,677)
								6,984
								18,778
								(71,409)
								(2,660)
								74,327
								(608)
								(11,393)
<u>(30,677)</u>	<u>6,984</u>	<u>18,778</u>	<u>(71,409)</u>	<u>(2,660)</u>	<u>74,327</u>	<u>(608)</u>	<u>(11,393)</u>	<u>(16,658)</u>
30,138	500	78	70,898	5	-	-	-	101,619
-	-	-	-	-	-	-	7,513	7,513
2,537	-	-	437,200	213	-	-	10,164	450,114
-	-	-	(3,850)	-	-	-	-	(3,850)
-	-	-	22	-	-	-	-	22
-	-	-	-	-	-	(810)	-	(810)
-	4,734	-	-	-	-	-	-	4,734
<u>32,675</u>	<u>5,234</u>	<u>78</u>	<u>504,270</u>	<u>218</u>	<u>-</u>	<u>(810)</u>	<u>17,677</u>	<u>559,342</u>
1,998	12,218	18,856	432,861	(2,442)	74,327	(1,418)	6,284	542,684
44,264	204,610	213,773	643,048	93,117	427,492	8,411	772	1,635,487
-	-	-	-	-	-	1,272	-	1,272
<u>\$ 46,262</u>	<u>\$ 216,828</u>	<u>\$ 232,629</u>	<u>\$ 1,075,909</u>	<u>\$ 90,675</u>	<u>\$ 501,819</u>	<u>\$ 8,265</u>	<u>\$ 7,056</u>	<u>\$ 2,179,443</u>



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Other Supplementary Information



STATE OF ALASKA
 Balance Sheet
 Nonmajor Component Unit Without Separately Issued Financial Statements
 June 30, 2011
 (Stated in Thousands)

STATEMENT 6.03

	Alaska Seafood Marketing Institute
ASSETS	
Cash and Investments	\$ 12,129
Due from Other Governments	821
Other Assets	21
Total Assets	<u>\$ 12,971</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,753
Due to Primary Government	3,876
Total Liabilities	<u>5,629</u>
Fund Balances:	
Reserved:	
Encumbrances	817
Other Purposes	6,525
Total Fund Balances	<u>7,342</u>
Total Liabilities and Fund Balances	<u>\$ 12,971</u>
 Reconciliation of the Balance Sheet to the Statement of Net Assets:	
Total Fund Balances - Governmental Fund:	\$ 7,342
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	(286)
Net Assets of Governmental Activities	<u>\$ 7,056</u>

STATE OF ALASKA
Statement of Revenues, Expenditures, and Change in Fund Balances
Nonmajor Component Unit Without Separately Issued Financial Statements
For the Fiscal Year Ended June 30, 2011
(Stated in Thousands)

STATEMENT 6.04

	Alaska Seafood Marketing Institute
REVENUES	
Taxes	\$ 7,513
Charges for Services	134
Federal Grants in Aid	4,307
Total Revenues	<u>11,954</u>
EXPENDITURES	
Current:	
Development	15,816
Total Expenditures	<u>15,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,862)</u>
OTHER FINANCING SOURCES (USES)	
Payments in from Primary Government	10,165
Total Other Financing Sources and Uses	<u>10,165</u>
Net Change in Fund Balances	6,303
Fund Balances - Beginning of Year	1,039
Fund Balances - End of Year	<u>\$ 7,342</u>
 Reconciliation of the Change in Fund Balances to the Statement of Activities:	
Net Change in Fund Balances - Governmental Fund:	\$ 6,303
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Expenses not reported in the fund:	
Compensated Absences	(19)
Change in Net Assets of Governmental Activities:	<u>\$ 6,284</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, 2011

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>	242
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</i>	252
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>	256
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>	259
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>	262

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 and GASB Statement No. 54 in FY 10; therefore, some schedules only include financial data beginning in those years.

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

SCHEDULE A-1

	2011	2010	2009	2008
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 5,618,713	\$ 5,429,469	\$ 5,293,353	\$ 5,063,796
Restricted ^a	38,808,084	32,819,206	30,007,939	31,421,373
Unrestricted	20,099,413	16,423,342	14,625,134	19,398,314
Total Governmental Activities Net Assets	<u>64,526,210</u>	<u>54,672,017</u>	<u>49,926,426</u>	<u>55,883,483</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	783,353	765,841	706,236	677,900
Restricted	670,492	679,259	712,350	688,485
Unrestricted	292,783	317,371	327,661	311,346
Total Business-type Activities Net Assets	<u>1,746,628</u>	<u>1,762,471</u>	<u>1,746,247</u>	<u>1,677,731</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	6,402,066	6,195,310	5,999,589	5,741,696
Restricted	39,478,576	33,498,465	30,720,289	32,109,858
Unrestricted	20,392,196	16,740,713	14,952,795	19,709,660
Total Primary Government Net Assets	<u>\$ 66,272,838</u>	<u>\$ 56,434,488</u>	<u>\$ 51,672,673</u>	<u>\$ 57,561,214</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

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

SCHEDULE A-1

	2007	2006	2005	2004	2003	2002
\$	4,968,171	\$ 4,721,066	\$ 4,654,684	\$ 3,921,815	\$ 3,724,321	\$ 3,353,079
	34,200,958	30,772,290	28,935,899	26,929,079	24,473,141	22,207,101
	11,425,419	7,539,120	5,185,548	4,066,781	3,450,742	5,469,850
	<u>50,594,548</u>	<u>43,032,476</u>	<u>38,776,131</u>	<u>34,917,675</u>	<u>31,648,204</u>	<u>31,030,030</u>
	596,997	535,585	483,883	451,273	415,389	370,663
	614,880	527,509	467,604	429,600	411,446	417,609
	330,553	340,555	341,845	308,232	300,705	311,662
	<u>1,542,430</u>	<u>1,403,649</u>	<u>1,293,332</u>	<u>1,189,105</u>	<u>1,127,540</u>	<u>1,099,934</u>
	5,565,168	5,256,651	5,138,567	4,373,088	4,139,710	3,723,742
	34,815,838	31,299,799	29,403,503	27,358,679	24,884,587	22,624,710
	11,755,972	7,879,675	5,527,393	4,375,013	3,751,447	5,781,512
\$	<u>52,136,978</u>	<u>44,436,125</u>	<u>40,069,463</u>	<u>36,106,780</u>	<u>32,775,744</u>	<u>32,129,964</u>

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

SCHEDULE A-2

	2011	2010	2009	2008
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$ 10,940	\$ 10,706	\$ 10,148	\$ 11,754
Education	3,195	3,277	3,045	2,829
University	-	10	15	29
Health and Human Services	43,166	41,816	41,375	39,492
Law and Justice	17,294	10,604	19,485	12,607
Public Protection	157,898	160,851	158,994	163,320
Natural Resources	2,798,551	2,278,392	2,322,398	3,404,033
Development	994	1,264	16,634	6,884
Transportation	59,215	54,746	57,306	68,105
Debt Service	-	1,320	-	-
Operating Grants and Contributions	2,029,375	1,912,537	1,488,782	1,354,695
Capital Grants and Contributions	659,305	591,510	633,661	612,769
Total Governmental Activities Program Revenues	5,779,933	5,067,033	4,751,843	5,676,517
Business-type Activities:				
Charges for Services				
Loans	12,652	16,372	11,818	9,175
Unemployment Compensation	190,321	168,524	178,073	149,699
Airports	106,604	105,441	95,244	118,874
Development	1,212	1,068	1,034	1,087
Operating Grants and Contributions	106,801	99,940	19,115	21,717
Capital Grants and Contributions	48,419	84,170	78,720	83,922
Total Business-type Activities Program Revenues	466,009	475,515	384,004	384,474
Total Primary Government Program Revenues	\$ 6,245,942	\$ 5,542,548	\$ 5,135,847	\$ 6,060,991
Expenses				
Governmental Activities:				
General Government	\$ 466,540	\$ 423,411	\$ 515,981	\$ 520,244
Alaska Permanent Fund Dividend ^{a b}	817,894	817,162	2,015,974	990,379
Education	1,864,934	1,688,586	1,647,531	1,705,227
University	449,650	404,071	410,805	382,463
Health and Human Services	2,420,412	2,261,984	2,067,733	1,869,940
Law and Justice	187,722	241,021	270,299	213,076
Public Protection	740,113	696,937	609,253	584,423
Natural Resources	394,500	342,556	295,183	293,999
Development	892,847	319,268	386,298	247,671
Transportation	1,026,604	1,135,249	959,586	952,916
Intergovernmental Revenue Sharing	189,741	177,531	231,574	129,678
Debt Service	50,864	48,377	42,662	43,820
Total Governmental Activities Expenses	9,501,821	8,556,153	9,452,879	7,933,836
Business-type Activities:				
Loans	5,095	5,062	3,514	9,987
Unemployment Compensation	325,040	339,964	199,792	122,128
Airports	134,020	114,885	117,499	112,437
Development	2,633	1,984	2,062	4,965
Total Business-type Activities Expenses	466,788	461,895	322,867	249,517
Total Primary Government Expenses	\$ 9,968,609	\$ 9,018,048	\$ 9,775,746	\$ 8,183,353
Net (Expense)/Revenue (To Schedule A-3)				
Governmental Activities	\$ (3,721,888)	\$ (3,489,120)	\$ (4,701,036)	\$ (2,257,319)
Business-type Activities	(779)	13,620	61,137	134,957
Total Primary Government Net Expense	\$ (3,722,667)	\$ (3,475,500)	\$ (4,639,899)	\$ (2,122,362)

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.

^b In 2009 the Alaska Permanent Fund Dividend expenses includes a one time energy rebate in the amount of \$738,767 (in thousands) that was paid to Alaska citizens to offset the cost of energy.

SCHEDULE A-2

	2007	2006	2005	2004	2003	2002
\$	11,058	\$ 13,908	\$ 20,448	\$ 13,048	\$ 16,142	\$ 16,465
	2,689	2,895	2,477	2,329	937	2,738
	-	-	-	-	-	-
	39,144	29,774	30,754	23,086	23,277	19,329
	12,142	9,736	10,959	8,625	6,201	9,528
	172,762	138,192	134,817	134,087	103,586	93,737
	2,207,217	2,460,023	1,967,523	1,446,144	1,299,097	906,477
	15,669	6,840	4,744	3,719	34,895	2,829
	68,042	63,257	48,506	46,774	44,882	40,456
	-	-	-	-	-	-
	1,463,791	1,460,145	1,400,904	1,422,265	1,303,282	1,111,681
	632,829	618,554	642,311	624,835	611,414	502,703
	<u>4,625,343</u>	<u>4,803,324</u>	<u>4,263,443</u>	<u>3,724,912</u>	<u>3,443,713</u>	<u>2,705,943</u>
	9,655	9,116	10,006	10,333	13,598	9,434
	169,070	168,942	148,354	160,762	156,459	135,097
	115,490	103,999	99,375	76,467	76,753	67,936
	-	-	-	-	-	-
	16,400	19,262	17,485	13,329	18,177	33,128
	79,588	73,570	84,249	79,715	52,859	36,642
	<u>390,203</u>	<u>374,889</u>	<u>359,469</u>	<u>340,606</u>	<u>317,846</u>	<u>282,237</u>
\$	<u>5,015,546</u>	<u>5,178,213</u>	<u>4,622,912</u>	<u>4,065,518</u>	<u>3,761,559</u>	<u>2,988,180</u>
\$	326,205	\$ 292,265	\$ 254,680	\$ 227,516	\$ 278,972	\$ 414,344
	658,294	505,093	552,232	660,471	908,676	1,086,362
	1,364,756	1,251,111	1,143,197	1,072,194	951,790	939,988
	319,963	271,687	244,927	246,101	226,729	208,322
	1,827,623	1,768,611	1,832,252	1,661,454	1,553,612	1,406,064
	180,837	175,878	147,606	131,179	130,408	118,928
	557,792	535,877	517,875	420,476	458,200	413,305
	286,236	263,777	242,610	225,167	206,161	194,377
	430,096	477,249	129,518	128,254	142,934	126,427
	812,686	711,351	762,514	392,737	418,463	406,543
	62,082	57,598	43,039	52,303	65,364	65,241
	40,555	32,152	32,153	32,763	19,903	16,564
	<u>6,867,125</u>	<u>6,342,649</u>	<u>5,902,603</u>	<u>5,250,615</u>	<u>5,361,212</u>	<u>5,396,465</u>
	9,561	12,285	9,304	4,980	8,799	16,540
	122,908	130,487	147,687	185,342	191,598	150,176
	129,074	120,879	99,350	81,475	77,892	68,884
	2,221	598	155	77	-	-
	263,764	264,249	256,496	271,874	278,289	235,600
\$	<u>7,130,889</u>	<u>6,606,898</u>	<u>6,159,099</u>	<u>5,522,489</u>	<u>5,639,501</u>	<u>5,632,065</u>
\$	(2,241,782)	\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
	126,439	110,640	102,973	68,732	39,557	46,637
\$	<u>(2,115,343)</u>	<u>(1,428,685)</u>	<u>(1,536,187)</u>	<u>(1,456,971)</u>	<u>(1,877,942)</u>	<u>(2,643,885)</u>

**Financial Trends - Government-wide General Revenues and Other Changes in Net Assets
Last Ten Fiscal Years
(Stated in Thousands)**

	2011	2010	2009	2008
Net (Expense)/Revenue (From Schedule A-2)				
Governmental Activities	\$ (3,721,888)	\$ (3,489,120)	\$ (4,701,036)	\$ (2,257,319)
Business-type Activities	(779)	13,620	61,137	134,957
Total Primary Government Net Expense	<u>\$ (3,722,667)</u>	<u>\$ (3,475,500)</u>	<u>\$ (4,639,899)</u>	<u>\$ (2,122,362)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Severance Taxes	\$ 4,217,074	\$ 2,669,281	\$ 3,345,993	\$ 6,929,895
Selective Sales/Use	249,705	251,414	235,121	270,119
Income Taxes	720,734	552,792	632,123	981,673
Property Taxes	184,254	118,780	111,251	81,518
Other Taxes	9,712	8,905	10,225	18,387
Interest and Investment Earnings	8,075,366	4,529,193	(6,460,729)	(910,362)
Tobacco Settlement	29,574	31,502	37,349	32,141
Payments In from Component Units	42,866	40,538	26,392	115,635
Other Revenues	48,106	37,573	91,857	27,873
Transfers - Internal Activity	(1,310)	(5,267)	(14,032)	(625)
Special Items	-	-	-	-
Pension Obligation and Other Post Employment	-	-	126,393	-
Prior Period Adjustments and Restatements	-	-	(2,186)	-
Changes in Accounting Principles	-	-	604,222	-
Total Governmental Activities General Revenues and Other Changes in Net Assets	<u>13,576,081</u>	<u>8,234,711</u>	<u>(1,256,021)</u>	<u>7,546,254</u>
Business-type Activities:				
Interest and Investment Earnings	(16,374)	(13,201)	(11,037)	(281)
Other Revenues	-	10,538	5,562	-
Payments In from Component Units	-	-	53	-
Transfers - Internal Activity	1,310	5,267	14,032	625
Special Items	-	-	3,972	-
Prior Period Adjustments and Restatements	-	-	(3,685)	-
Changes in Accounting Principles	-	-	(1,518)	-
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>(15,064)</u>	<u>2,604</u>	<u>7,379</u>	<u>344</u>
Total Primary Government General Revenues and Other Changes in Net Assets	<u>\$ 13,561,017</u>	<u>\$ 8,237,315</u>	<u>\$ (1,248,642)</u>	<u>\$ 7,546,598</u>
Change in Net Assets				
Governmental Activities	\$ 9,854,193	\$ 4,745,591	\$ (5,957,057)	\$ 5,288,935
Business-type Activities	(15,843)	16,224	68,516	135,301
Total Primary Government Changes in Net Assets	<u>\$ 9,838,350</u>	<u>\$ 4,761,815</u>	<u>\$ (5,888,541)</u>	<u>\$ 5,424,236</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

SCHEDULE A-3

2007	2006	2005	2004	2003	2002
\$ (2,241,782)	\$ (1,539,325)	\$ (1,639,160)	\$ (1,525,703)	\$ (1,917,499)	\$ (2,690,522)
126,439	110,640	102,973	68,732	39,557	46,637
<u>\$ (2,115,343)</u>	<u>\$ (1,428,685)</u>	<u>\$ (1,536,187)</u>	<u>\$ (1,456,971)</u>	<u>\$ (1,877,942)</u>	<u>\$ (2,643,885)</u>
\$ 2,256,299	\$ 1,332,880	\$ 965,431	\$ 697,394	\$ 640,856	\$ 549,848
233,788	196,605	186,354	180,354	156,693	139,531
812,652	821,664	588,694	339,270	207,075	269,273
65,692	54,508	42,912	47,416	48,741	49,641
9,495	11,865	10,743	10,979	9,421	11,585
5,968,976	3,312,907	2,840,596	3,561,847	1,205,191	(371,614)
21,247	19,975	21,759	21,439	25,054	134,925
400,382	104,556	121,312	58,846	80,728	63,474
32,295	60,857	19,294	60,781	7,618	24,280
3,028	4,894	4,968	4,306	2,830	1,539
-	-	-	4,829	127,413	-
-	-	-	-	-	-
-	(125,041)	695,553	(192,287)	24,053	35,955,420
-	-	-	-	-	-
<u>9,803,854</u>	<u>5,795,670</u>	<u>5,497,616</u>	<u>4,795,174</u>	<u>2,535,673</u>	<u>36,827,902</u>
14,155	2,935	5,154	1,067	6,567	6,449
1,215	1,393	1,356	-	419	546
-	-	-	-	-	652
(3,028)	(4,894)	(4,968)	(4,306)	(2,830)	(1,539)
-	-	-	-	(5,453)	-
-	243	(288)	(3,928)	(10,654)	(1,018)
-	-	-	-	-	-
<u>12,342</u>	<u>(323)</u>	<u>1,254</u>	<u>(7,167)</u>	<u>(11,951)</u>	<u>5,090</u>
<u>\$ 9,816,196</u>	<u>\$ 5,795,347</u>	<u>\$ 5,498,870</u>	<u>\$ 4,788,007</u>	<u>\$ 2,523,722</u>	<u>\$ 36,832,992</u>
\$ 7,562,072	\$ 4,256,345	\$ 3,858,456	\$ 3,269,471	\$ 618,174	\$ 34,137,380
138,781	110,317	104,227	61,565	27,606	51,727
<u>\$ 7,700,853</u>	<u>\$ 4,366,662</u>	<u>\$ 3,962,683</u>	<u>\$ 3,331,036</u>	<u>\$ 645,780</u>	<u>\$ 34,189,107</u>

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

SCHEDULE A-4

	2011	2010	2009	2008
General Fund (Per GASB 54)^a				
Nonspendable	\$ 146,525	\$ 229,199		
Restricted	134,863	119,379		
Committed	4,448,973	4,782,302		
Assigned	-	-		
Unassigned	13,051,711	10,405,256		
General Fund (Prior GASB 54)^a				
Reserved ^b	-	-	\$ 1,101,357	\$ 898,734
Unreserved	-	-	13,222,879	13,717,732
Total General Fund	<u>\$ 17,782,072</u>	<u>\$ 15,536,136</u>	<u>\$ 14,324,236</u>	<u>\$ 14,616,466</u>
All Other Governmental Funds (Per GASB 54)^a				
Nonspendable	\$ 38,261,469	\$ 32,408,388		
Restricted	406,063	286,528		
Committed	817,352	418,643		
Assigned	2,307,820	1,209,837		
Unassigned	-	-		
All Other Governmental Funds (Prior GASB 54)^a				
Reserved ^c	-	-	\$ 29,983,196	\$ 31,388,842
Unreserved, reported in:				
Permanent funds	-	-	426,318	4,984,371
Special revenue funds	-	-	420,993	397,895
Capital projects funds	-	-	207,550	113,515
Total All Other Governmental Funds	<u>\$ 41,792,704</u>	<u>\$ 34,323,396</u>	<u>\$ 31,038,057</u>	<u>\$ 36,884,623</u>

NOTES:

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

In 2002, funds were reclassified in conjunction with implementing GASB Statement No. 34.

In 2010, funds were reclassified in conjunction with implementing GASB Statement No. 54.

^a Prior to 2010 and the implementation of GASB statement No. 54, fund balances were classified as Reserved or Unreserved.

Under GASB statement No. 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

^b The majority of the amount reported as reserved for the General Fund from 2002 through 2007 represents the Constitutional Budget Reserve Fund. Further discussion of this fund is included in the Notes to the Basic Financial Statements. Beginning 2008 the majority represents reserved for encumbrances within the General Fund.

^c 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

2007	2006	2005	2004	2003	2002
\$ 5,388,823	\$ 5,447,085	\$ 5,367,346	\$ 5,369,520	\$ 5,400,958	\$ 4,819,136
2,249,074	(123,785)	(1,297,611)	(1,929,657)	(1,850,881)	(701,741)
<u>\$ 7,637,897</u>	<u>\$ 5,323,300</u>	<u>\$ 4,069,735</u>	<u>\$ 3,439,863</u>	<u>\$ 3,550,077</u>	<u>\$ 4,117,395</u>
\$ 34,155,999	\$ 30,788,066	\$ 29,015,791	\$ 27,068,135	\$ 24,464,472	\$ 22,191,935
4,144,850	2,594,854	1,449,370	869,711	114,139	1,658,082
381,225	51,662	75,991	47,841	78,987	46,919
116,074	140,606	126,963	227,982	438,606	-
<u>\$ 38,798,148</u>	<u>\$ 33,575,188</u>	<u>\$ 30,668,115</u>	<u>\$ 28,213,669</u>	<u>\$ 25,096,204</u>	<u>\$ 23,896,936</u>

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

SCHEDULE A-5

	2011	2010	2009	2008
Revenues				
Taxes	\$ 5,381,479	\$ 3,602,345	\$ 4,334,450	\$ 8,282,074
Licenses and Permits	147,331	144,160	146,460	150,207
Charges for Services	179,554	164,400	176,310	179,213
Fines and Forfeitures	11,867	14,745	14,306	18,673
Rents and Royalties	2,779,564	2,259,999	2,237,219	3,354,696
Premiums and Contributions	28,790	21,782	28,806	17,520
Interest and Investment Income	8,139,303	4,575,828	(6,480,492)	(913,571)
Federal Grants in Aid	2,442,957	2,422,985	2,119,109	1,925,558
Payments in from Component Units	42,866	40,538	26,392	115,635
Other Revenues	53,920	32,530	61,092	43,908
Total Revenues	<u>19,207,631</u>	<u>13,279,312</u>	<u>2,663,652</u>	<u>13,173,913</u>
Expenditures				
General Government	481,434	437,178	740,621	596,754
Alaska Permanent Fund Dividend ^b	817,894	817,162	2,015,974	990,379
Education	1,835,425	1,705,340	1,658,971	1,716,876
University	449,248	402,867	409,890	382,459
Health and Human Services	2,427,974	2,251,631	2,064,656	1,881,458
Law and Justice	238,083	303,662	202,860	209,031
Public Protection	784,268	715,945	620,975	577,377
Natural Resources	379,151	391,318	339,496	301,660
Development	893,417	330,074	387,633	251,051
Transportation	1,103,655	1,174,671	1,111,105	1,036,352
Intergovernmental Revenue Sharing	189,796	177,804	231,364	128,564
Debt Service:				
Principal	47,229	43,210	48,414	45,870
Interest and Other Charges	44,201	45,110	41,914	46,546
Existing Monies to Bond Escrow Agent	-	-	-	-
Bond Issuance Costs	-	-	524	-
Total Expenditures	<u>9,691,775</u>	<u>8,795,972</u>	<u>9,874,397</u>	<u>8,164,377</u>
Excess (Deficiency) of Revenues Over Expenditures	9,515,856	4,483,340	(7,210,745)	5,009,536
Other Financing Sources (Uses)				
Bonds Issued	200,000	-	165,000	-
Refunding Bonds Issued ^a	-	-	-	-
Bond Issue Premium	1,837	-	8,611	-
Other Debt Proceeds	-	-	-	-
Refunding Bond Issue Premium ^a	-	-	-	-
Bond Discount	-	-	-	-
Payment to Refunded Bond Escrow Agent ^a	-	-	-	-
Capital Leases	8,212	20,603	271,901	59,651
Transfers In from Other Funds	1,277,441	924,015	937,064	1,479,573
Transfers (Out to) Other Funds	(1,288,102)	(930,719)	(961,402)	(1,483,716)
Total Other Financing Sources and Uses	<u>199,388</u>	<u>13,899</u>	<u>421,174</u>	<u>55,508</u>
Special Items	-	-	-	-
Prior Period Adjustments and Restatements	-	-	(2,186)	-
Changes in Accounting Principles	-	-	652,961	-
Net Change in Fund Balances	<u>\$ 9,715,244</u>	<u>\$ 4,497,239</u>	<u>\$ (6,138,796)</u>	<u>\$ 5,065,044</u>
Debt Service as a Percentage of Noncapital Expenditures	1.04%	1.16%	1.06%	1.22%

NOTES:

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

^a In 2005 new certificates of participation were issued to refund existing certificates of participation debt.

^b In 2009 the Alaska Permanent Fund Dividend expenses includes a one time energy rebate in the amount of \$738,767 (in thousands) that was paid to Alaska citizens to offset the cost of energy.

SCHEDULE A-5

	2007	2006	2005	2004	2003	2002
\$	3,462,462	\$ 2,361,263	\$ 1,764,465	\$ 1,275,413	\$ 1,062,786	\$ 1,019,878
	142,204	129,604	122,888	116,164	100,814	90,049
	180,695	159,410	152,992	184,178	167,505	157,458
	32,367	10,441	11,030	17,598	10,477	11,937
	2,162,495	2,418,169	1,957,615	1,428,982	1,286,742	867,143
	16,369	17,906	17,153	17,984	29,809	19,612
	6,023,532	3,339,127	2,874,284	3,586,212	1,224,015	(379,887)
	2,021,414	1,997,567	1,951,921	1,941,037	1,769,144	1,552,694
	400,382	104,555	121,312	58,846	80,728	63,474
	31,349	74,163	30,957	32,363	37,809	154,713
	<u>14,473,269</u>	<u>10,612,205</u>	<u>9,004,617</u>	<u>8,658,777</u>	<u>5,769,829</u>	<u>3,557,071</u>
	346,530	294,151	261,596	257,207	278,604	393,579
	658,294	505,093	552,232	660,471	908,676	1,086,362
	1,359,413	1,227,523	1,136,016	1,042,702	990,384	973,716
	320,238	272,193	244,917	246,168	226,794	208,497
	1,819,084	1,794,439	1,748,751	1,707,996	1,571,025	1,408,238
	179,851	171,185	141,890	135,026	131,359	117,648
	553,412	527,332	525,855	431,261	459,321	410,000
	297,410	259,087	236,146	227,132	221,088	199,032
	429,894	477,945	128,257	132,452	145,242	130,893
	988,857	894,571	804,546	764,003	737,768	650,678
	61,925	59,477	43,081	52,259	65,743	65,198
	39,110	39,965	39,570	15,568	18,107	16,664
	42,253	38,429	38,989	34,369	18,332	15,878
	27,009	-	-	-	-	-
	-	-	-	-	-	-
	<u>7,123,280</u>	<u>6,561,390</u>	<u>5,901,846</u>	<u>5,706,614</u>	<u>5,772,443</u>	<u>5,676,383</u>
	7,349,989	4,050,815	3,102,771	2,952,163	(2,614)	(2,119,312)
	218,938	92,060	-	14,145	461,935	142,790
	193,050	-	25,725	-	-	-
	-	856	-	-	39,310	-
	(193,050)	1,957	-	-	-	-
	-	-	1,251	-	-	-
	(11,180)	-	-	-	-	(1,852)
	-	-	(26,858)	-	-	-
	4,241	8,628	10,751	15,615	-	-
	1,338,871	807,093	604,541	614,250	706,507	961,827
	(1,363,302)	(801,164)	(615,931)	(597,320)	(695,498)	(947,910)
	<u>187,568</u>	<u>109,430</u>	<u>(521)</u>	<u>46,690</u>	<u>512,254</u>	<u>154,855</u>
	-	-	-	4,829	127,413	-
	-	393	(17,932)	3,569	(5,103)	33,086,138
	-	-	-	-	-	-
\$	<u>7,537,557</u>	<u>4,160,638</u>	<u>3,084,318</u>	<u>3,007,251</u>	<u>631,950</u>	<u>31,121,681</u>
	1.69%	1.37%	1.51%	1.00%	0.72%	0.62%

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	Nonspendable Fund Assets	Assigned Fund Assets ^b	Total Fund Return
2002	\$ 23,525	\$ 22,389	\$ 1,136	-2.2%
2003	24,194	24,094	100	4.5%
2004	27,400	26,541	859	14.2%
2005	29,962	28,522	1,440	10.4%
2006	32,910	30,325	2,585	11.0%
2007	37,826	33,694	4,132	17.1%
2008	35,881	30,912	4,969	-3.6%
2009	29,916	29,496	420	-18.0%
2010	33,255	32,045	1,210	11.7%
2011	40,140	37,832	2,308	20.6%

Annual Rate of Return by Asset Class ^d

Fiscal Year	Domestic Equities	International Equities	Global Equities	Domestic Bonds	Non-Dollar Bonds	Real Estate	Alternative Investments	Total Fund
2002	-15.4%	-8.6%	NA ^c	8.0%	10.2%	10.3%	NA ^c	-2.2%
2003	-0.3%	-5.0%	NA ^c	10.2%	15.3%	9.1%	NA ^c	4.5%
2004	21.1%	28.4%	NA ^c	0.8%	4.3%	16.5%	NA ^c	14.2%
2005	7.2%	15.4%	NA ^c	6.8%	10.1%	27.2%	NA ^c	10.4%
2006	10.0%	26.1%	NA ^c	-0.3%	0.6%	20.0%	11.3%	11.0%
2007	19.2%	31.6%	8.9%	6.2%	2.8%	18.1%	13.6%	17.1%
2008	-11.7%	-5.5%	-10.2%	6.1%	10.9%	0.5%	1.0%	-3.6%
2009	-24.8%	-31.3%	-31.4%	3.3%	3.6%	-18.4%	-13.2%	-18.0%
2010	15.9%	11.8%	11.6%	11.5%	7.9%	-0.6%	13.5%	11.7%
2011	33.4%	28.7%	31.5%	5.3%	0.6%	16.9%	12.2%	20.6%

SOURCE:

Alaska Permanent Fund Corporation

NOTES:

^a The Alaska Permanent Fund is made up of two parts: nonspendable and assigned assets. The nonspendable 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 Assigned 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. Historically, the assigned fund assets have primarily been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the nonspendable fund assets from inflation. The assigned fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The assigned fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer each year. The nonspendable and assigned 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. For the year 2007 global equity returns are for six months only.

REVENUE BASE (Last Ten Fiscal Years)

Oil Severance Taxes

Fiscal Year	Well-Head Value	Weighted Average Severance Tax Rate	Weighted Average Economic Limit Factor (ELF)
2002	\$16.80 per barrel	14.44%	59.75%
2003	\$23.27 per barrel	14.16%	55.19%
2004	\$26.78 per barrel	14.23%	53.22%
2005	\$38.92 per barrel	14.20%	52.99%
2006	\$55.31 per barrel	14.62%	58.26%
2007	\$55.79 per barrel	16.90%	Not Applicable
2008	\$84.45 per barrel	39.99%	Not Applicable
2009	\$62.02 per barrel	20.20%	Not Applicable
2010	\$68.89 per barrel	18.04%	Not Applicable
2011	\$86.69 per barrel	24.21%	Not Applicable

REVENUE RATE: The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT)³. On July 1, 2007 Alaska Clear and Equitable Share (ACES) was implemented.

Production tax revenue under the Alaska Clear and Equitable Share (ACES) and Petroleum Profits Tax (PPT) is calculated as follows, with the difference between ACES and PPT shown in the notes:

$$[(\text{Petroleum Value}^1 \text{ minus Costs}^2) \text{ times Tax Rate}^3] \text{ minus Credits}^4$$

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

^aThe total number of barrels of oil equivalent produced

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

^bMinus the number of royalty barrels

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

^cMultiplied by the wellhead value

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

²Costs = Lease expenditures, including qualified operating and capital expenses

³Tax Rate = **ACES**: The production tax rate is 25% of the petroleum value minus costs ("net income"). A progressive surcharge of .4% is added for every dollar that this "net income" per barrel exceeds \$30 and is less than \$92.50. At \$92.50, the progressive surcharge changes to .1% for every additional dollar in net value. Total maximum tax rate is 75%.

PPT: The production tax rate is 22.5% of the petroleum value minus costs ("net income"). A progressive surcharge of .25% is added for every dollar that this "net income" per barrel exceed \$40. Total maximum tax rate is 47.5%.

⁴Credits = **ACES**: Includes a 20% credit for all qualified capital expenditures, and a standard deduction of up to \$12 million per year for qualified companies.

PPT: Includes a 20% credit for all qualified capital expenditures, 20% credit for eligible transition expenditures, and a standard deduction of up to \$12 million per year for qualified companies.

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

The effective severance tax rate was computed as: (Number of barrels produced less the number of royalty barrels) x the wellhead value x the severance tax rate x ELF.

Production tax rate is applied to net production value beginning in FY 2007. Prior to FY 2007, production tax rate was applied to gross value at point of production.

REVENUE PAYERS (Current Reporting Period and Period Ten Years Prior)

	2011	2002
Alaska Statute 43.05.230 prohibits naming individual tax payers.	Five oil companies account for more than 99.94% of severance tax.	Five oil companies account for more than 99.19% of severance tax.
Amount of Revenue Base	Five oil companies account for 219,948 thousands of barrels of oil production.	Five oil companies account for 359,131 thousands of barrels of oil production.
Percent of top payers to total oil production	98.00%	99.00%
Percent of top payers to total severance tax revenue	99.94%	99.19%

SOURCE:

Alaska Department of Revenue, Tax Division

NOTES:

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

REVENUE BASE (Last Ten Fiscal Years)

Fiscal Year	Gross Number of Barrels	Number of Barrels for Which Royalties are Charged	Weighted Average Royalty Rate
2002	387,190,479	48,415,456	12.50%
2003	376,494,188	49,296,600	13.09%
2004	370,732,200	48,080,646	12.97%
2005	340,267,626	44,669,897	13.13%
2006	315,713,921	39,953,892	12.65%
2007	276,283,804	35,287,199	12.77%
2008	269,773,057	34,158,311	12.66%
2009	257,812,862	31,877,658	12.36%
2010	232,152,553	29,674,841	12.78%
2011	219,360,412	27,863,774	12.70%

REVENUE RATE: The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT)^a On July 1, 2007 Alaska Clear and Equitable Share (ACES) was implemented.

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)

	2011	2002
Top Payers	Royalties from British Petroleum, ConocoPhillips, and Flint Hills corporations comprise about 88% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, Tesoro, and Williams corporations comprise about 84% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips, and Flint Hills corporations paid royalties on about 24.6 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips, Tesoro, and Williams corporations paid royalties on about 40 million barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels:	88.16%	84.10%
Percent of top payers to total royalty revenue:	86.81%	80.34%

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
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 ^d	433,916	1.85%	654	207,995	68,345	74,770
2007 ^d	404,866	1.56%	604	387,252	64,273	65,275
2008	375,808	1.38%	555	381,399	61,942	56,990
2009	520,019	1.72%	765	372,374	57,802	51,415
2010	489,517	1.62%	707	371,298	54,455	45,605
2011	655,633	2.08%	923	370,677	51,859	39,600

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 For fiscal years 2002-2004, Certificates of Participation (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 For 2006 and 2007 the capital leases have been corrected to include internal service funds data.

SCHEDULE C-1

Capital Leases ^{b, c}	Business-type Activities International Airports Revenue Bonds	Total Primary Government	Percentage of Personal Income ^a	Per Capita ^a
\$ 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
140,670	646,238	1,571,934	6.68%	2,369
130,311	633,152	1,685,129	6.51%	2,515
171,458	617,465	1,665,062	6.10%	2,460
410,846	582,893	1,995,349	6.60%	2,936
410,085	562,006	1,932,966	6.40%	2,792
392,636	593,597	2,104,002	6.67%	2,962

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

SCHEDULE C-2

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
International Airports Revenue Bonds: ^a						
2002	\$ 73,661	\$ 47,779	\$ 25,882	\$ 3,660	\$ 11,508	1.71%
2003	83,320	54,686	28,634	6,300	18,642	1.15%
2004	77,524	49,238	28,286	6,580	18,365	1.13%
2005	104,538	61,131	43,407	12,138	21,554	1.29%
2006	107,125	68,732	38,393	12,529	21,011	1.14%
2007	123,435	70,609	52,826	12,770	31,675	1.19%
2008	129,835	72,054	57,781	15,515	30,450	1.26%
2009	103,668	72,164	31,504	19,880	29,711	0.64%
2010	110,811	64,368	46,443	6,085	28,491	1.34%
2011	110,835	72,203	38,632	7,040	27,447	1.12%
Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: ^b						
2002	\$ 21,350	\$ -	\$ 21,350	\$ -	\$ 7,188	2.97%
2003	21,467	-	21,467	490	13,309	1.56%
2004	18,399	-	18,399	-	12,925	1.42%
2005	18,620	-	18,620	-	12,569	1.48%
2006	17,136	-	17,136	-	12,264	1.40%
2007	18,428	-	18,428	-	11,996	1.54%
2008	29,542	-	29,542	3,360	19,440	1.30%
2009	30,972	-	30,972	-	19,834	1.56%
2010	25,294	-	25,294	-	19,750	1.28%
2011	23,598	-	23,598	-	18,092	1.30%
Sport Fishing Revenue Bonds: ^c						
2006	\$ 1,296	\$ -	\$ 1,296	\$ -	\$ -	-
2007	7,418	-	7,418	2,415	2,883	1.40%
2008	7,483	-	7,483	2,295	2,923	1.43%
2009	6,636	-	6,636	2,385	2,831	1.27%
2010	5,825	-	5,825	2,485	2,649	1.13%
2011	5,957	-	5,957	2,580	2,510	1.17%

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
2001	633,630	\$ 19,641	\$ 30,936	\$ 30,472	32.6	6.2%
2002	643,786	20,467	31,792	30,832	32.7	7.1%
2003	648,280	21,779	33,568	31,632	33.1	7.7%
2004	655,435	22,582	34,454	32,937	33.3	7.5%
2005	663,661	23,515	35,433	33,050	33.4	6.8%
2006	670,053	25,879	38,622	34,471	33.5	6.7%
2007	676,987	27,294	39,934	36,714	33.5	6.2%
2008	679,720	30,224	44,039	40,208	33.5	6.7%
2009	692,314	30,180	43,209	39,626	33.5	8.0%
2010	710,231	31,562	44,205	39,945	33.8	8.0%

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 2010 and Period Ten Years Prior

SCHEDULE D-2

Employer	2010			2001		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Uniformed Military	22,796	1	6.94%	17,802	1	5.90%
State of Alaska ^a	18,337	2	5.58%	16,152	3	5.35%
Federal Civilians	17,535	3	5.33%	16,800	2	5.56%
University of Alaska	7,579	4	2.30%	6,344	4	2.10%
Anchorage School District	7,157	5	2.18%	6,293	5	2.08%
Providence Health System Alaska ^b	4,000	6	1.22%	3,369	6	1.12%
Wal-Mart/Sam's Club ^b	3,249	7	0.99%	2,178	10	0.72%
Safeway Stores/Carrs ^b	2,999	8	0.91%	3,252	7	1.08%
Municipality of Anchorage	2,846	9	0.87%	2,950	8	0.98%
Fred Meyer ^b	2,749	10	0.84%	2,262	9	0.75%
Total	89,247		27.16%	77,402		25.64%

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.

^b Ranges were given on these average monthly employment numbers for 2010. The highest average monthly employment range number was used.



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STATE OF ALASKA
Operating Information - Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

SCHEDULE E-1

FUNCTION	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government	2248	2158	2,225	2,137
Education	434	432	419	414
Health and Human Services	2921	2873	2,694	2,816
Law and Justice	1685	1671	1,642	1,587
Public Protection	3511	3582	3,540	3,297
Natural Resources	2195	2131	2,031	1,994
Development	826	822	775	745
Transportation	<u>3131</u>	<u>3052</u>	<u>3,060</u>	<u>2,987</u>
Totals	<u><u>16,951</u></u>	<u><u>16,721</u></u>	<u><u>16,386</u></u>	<u><u>15,977</u></u>

NOTE:

Full-time equivalent employees are calculated using the total number of hours worked, divided by the number of hours worked during the year by a full-time employee.

SCHEDULE E-1

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
2,139	2,101	2,071	2,009	2,181	2,115
423	409	395	421	346	444
2,599	2,511	2,432	2,477	2,579	2,460
1,550	1,498	1,451	1,400	1,413	1,378
3,634	3,588	3,552	3,560	3,552	3,268
1,978	1,932	1,897	1,928	1,956	1,895
748	794	773	770	796	797
<u>2,979</u>	<u>2,940</u>	<u>2,826</u>	<u>2,833</u>	<u>2,741</u>	<u>2,658</u>
<u><u>16,050</u></u>	<u><u>15,773</u></u>	<u><u>15,397</u></u>	<u><u>15,398</u></u>	<u><u>15,564</u></u>	<u><u>15,015</u></u>

STATE OF ALASKA
Operating Information - Operating Indicators by Function
Last Ten Fiscal Years

SCHEDULE E-2

FUNCTION	2011	2010	2009	2008
Alaska Permanent Fund Dividend				
Number of Dividends Paid ^a	-	641,112	623,707	615,513
Education				
Student Enrollment in State Supported Schools (pre-elementary through grade 12)	132,104	131,662	130,685	131,029
University				
Student Enrollment in the State University System (average head count over both semesters)	34,528	33,821	31,888	32,324
Health and Human Services				
Medicaid Beneficiaries	132,991	134,535	123,791	117,472
Temporary Assistance Caseload ^b	3,619	3,198	3,027	3,109
Protective Services Reports Regarding Children ^b	16,067	14,629	13,441	11,599
Law and Justice				
Criminal Caseload - Misdemeanors	23,138	23,818	22,351	23,973
Criminal Caseload - Felonies and Appeals	8,592	8,571	7,796	8,466
Civil Caseload ^g	5,361	5,663	5,599	5,048
Public Protection				
Adult Offenders in Correctional Facilities ^f	5,864	5,600	5,319	5,384
Juvenile Offenders in Detention or Treatment Facilities	185	211	202	228
National Guard Assigned Strength in Alaska ^d	4,043	3,845	3,785	4,242
Number of Homicides Investigated by State Troopers ^g	18	9	15	14
Natural Resources				
Wholesale Value of Alaska Commercial Fish Harvests (stated in thousands of dollars) ^a	-	2,497,060	1,970,607	2,607,666
Recreation Acres State Owned or Maintained	11,892,818	11,931,889	11,834,483	11,535,850
State Timber Sold Annually (million board feet)	24.1	12.5	15.5	61.0
State Acreage Leased for Oil and Gas Development ^e	3,193,020	3,859,116	4,933,466	5,435,904
Placer Mines Permitted	486	107	194	260
Development				
Number of State Business Licenses	63,618	65,096	59,751	62,187
Transportation				
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK ^a	-	1.17	1.30	1.29
State Ferry Route Miles	3,274	2,829	2,829	2,829
Intergovernmental Revenue Sharing				
Number of Communities that Receive a Portion of Shared Taxes and Fees	147	148	146	142
Loans				
Number of Loans in Portfolio	2,158	2,280	2,064	2,168
Unemployment Compensation				
Initial Claims Paid ^a	-	94,592	122,830	93,072
Airports ^c				
Landings:				
Jets	71,499	69,927	65,945	84,366
Other Aircraft	45,632	42,959	45,399	68,253
Passengers:				
In	2,926,922	2,804,494	2,926,772	3,043,533
Out	2,939,191	2,823,969	2,893,374	3,002,133
Through	221,529	240,331	227,164	360,572
Freight (in tons):				
In	414,014	361,019	288,650	366,907
Out	374,048	326,277	326,797	417,979

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 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.

^e Includes both on shore and off shore acres.

^f Data was corrected for 2007.

^g Data was corrected for 2008.

SCHEDULE E-2

2007	2006	2005	2004	2003	2002
595,237	591,965	594,028	598,378	595,567	589,378
132,608	133,288	132,970	133,930	134,364	134,358
32,515	32,740	32,786	34,111	33,752	31,043
121,864	122,975	125,942	119,321	116,841	110,569
6,335	3,658	4,660	5,017	5,507	6,025
11,400	10,192	9,576	10,017	11,695	12,154
23,609	23,060	22,569	22,700	22,238	22,041
8,469	11,462	10,166	9,913	9,146	8,556
5,083	6,008	5,201	5,355	5,518	5,068
5,236	5,073	4,809	4,724	4,748	4,644
237	250	234	247	305	285
3,872	3,785	3,704	4,009	3,955	3,941
12	10	23	15	12	12
2,326,176	2,055,625	1,957,948	1,700,278	1,555,726	1,445,470
11,663,339	11,444,009	11,183,929	11,361,029	11,388,366	11,338,380
82.9	25.0	27.5	11.7	18.7	15.5
4,980,450	4,267,925	3,972,538	4,101,542	4,849,396	6,225,000
178	345	316	320	310	287
65,331	66,615	67,229	70,537	74,599	73,047
1.61	1.49	1.47	2.02	1.98	1.82
2,829	2,829	2,829	2,866	2,866	2,775
146	145	140	139	138	141
2,277	2,263	2,183	2,149	2,228	2,286
89,442	93,609	100,692	103,240	113,604	114,916
80,652	81,040	77,074	72,486	72,663	70,161
46,940	46,022	47,564	49,082	48,933	51,561
2,889,786	2,868,053	2,852,820	2,696,409	2,614,179	2,624,631
2,873,803	2,860,859	2,849,651	2,686,048	2,608,440	2,634,245
364,850	284,947	394,324	421,472	446,000	513,076
369,743	338,401	297,752	255,958	257,715	236,834
393,279	382,645	352,339	267,749	277,857	259,036

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

SCHEDULE E-3

FUNCTION	2011	2010	2009	2008
Primary Government:				
General Government				
Buildings (square feet)	891,302	828,694	880,198	803,175
Education				
Buildings (square feet)	2,037,695	2,200,336	2,340,905	2,331,178
Schools	106	111	119	119
Schools Under Construction	23	36	39	39
Health and Human Services				
Buildings (square feet)	1,157,282	1,103,295	1,065,828	1,058,616
Pioneer Homes	6	6	6	6
Law and Justice				
Buildings (square feet)	667,637	641,456	649,529	596,631
Court Buildings	13	13	13	13
Public Protection				
Buildings (square feet)	1,391,021	1,375,250	1,400,619	1,239,332
Correctional Institutions	11	11	11	11
Aircraft	18	16	16	16
Motor Vessels	22	22	22	21
National Guard Armories ^a	21	21	21	21
Natural Resources				
Buildings (square feet)	869,809	818,066	803,675	749,618
Parks Acreage	3,300,000	3,381,858	3,356,810	3,356,810
Forest Acreage	2,121,499	2,122,899	2,097,608	2,097,608
Other State Land Acreage	92,134,583	91,858,588	90,309,649	88,505,417
Aircraft	3	3	3	3
Motor Vessels	9	9	9	9
Development				
Buildings (square feet)	327,102	315,477	306,678	279,924
Transportation				
Buildings (square feet)	1,240,569	1,172,039	1,210,953	1,122,960
Light Duty Vehicles	3,461	3,822	3,756	3,671
Heavy Duty Utility Vehicles	2,064	1,847	1,781	1,760
Ferries	11	11	11	11
Building Projects Under Construction	166	154	119	119
Rural Airports	252	253	256	256
Rural Airport Projects Under Construction	373	394	409	383
Centerline Road Miles ^b	-	5,619	5,601	5,595
Highway Projects Under Construction	827	807	801	808
Business-type Activities:				
Airports (Anchorage and Fairbanks International)				
Terminals (square feet)	1,271,568	1,271,568	1,295,864	1,280,864
International Airport (acreage)	8,244	8,244	8,244	8,153
International Airport Projects Under Construction	122	107	117	105
Runways (miles)	8	8	8	8

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.

SCHEDULE E-3

2007	2006	2005	2004	2003	2002
764,192	738,676	731,101	691,070	930,674	722,847
2,354,648	2,728,657	2,832,934	2,923,628	2,962,440	2,862,070
105	117	129	145	144	142
35	17	10	8	12	16
928,505	882,511	858,468	852,057	1,100,412	840,707
6	6	6	6	6	6
553,687	526,659	512,094	481,805	602,962	470,832
13	13	12	13	12	13
1,298,482	1,261,043	1,253,724	1,224,620	1,515,444	1,116,699
11	11	11	11	11	11
16	16	16	14	14	12
21	19	18	16	16	19
21	21	20	10	10	10
706,814	678,899	669,406	663,345	834,591	647,531
3,353,805	3,326,019	3,325,939	3,325,939	3,353,276	3,303,290
2,232,400	2,066,000	2,066,000	2,243,100	2,243,100	2,243,100
86,166,329	84,430,236	82,967,314	82,797,376	83,779,277	83,825,572
3	3	3	3	3	3
9	9	9	8	11	11
267,229	279,168	272,816	264,948	339,321	272,408
1,064,449	1,033,511	997,525	974,654	1,169,505	908,041
3,609	3,366	3,323	3,433	3,403	3,351
1,668	1,861	1,824	1,828	1,795	1,789
11	11	11	10	11	10
105	112	94	101	108	123
256	256	258	260	259	259
339	358	415	397	361	343
5,606	5,603	5,613	5,612	5,562	5,557
782	767	766	760	768	779
1,280,864	1,280,864	1,178,602	773,681	783,900	765,449
8,153	8,153	8,153	8,153	8,153	8,153
121	117	162	187	213	211
8	6	6	6	6	6



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Index of Funds



STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2011

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
2008 Transportation Project (GO Bonds)	Ch 30, SLA 2008	Yes	CPF	3.51, 3.52
2010 Education Project (GO Bonds)	Ch 95, SLA 2010	Yes	CPF	3.51, 3.52
Abandoned Motor Vehicles Fund	AS 28.11.110	No	GF	3.01, 3.02
Accelerated Alaska Transportation Projects	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Adak Airport Operations	PL 101-510	No	GF	3.01, 3.02
Agricultural Revolving Loan	AS 03.10.040	Yes	OAEF	4.31 - 4.33
Alaska Aerospace Corporation	AS 14.40.841	Yes	DPCU	6.01, 6.02
Alaska Capital Income	AS 37.05.565	No	GF	3.01, 3.02
Alaska Capstone Avionics Revolving Loan	AS 44.33.655	Yes	CAEF	4.11 - 4.13
Alaska Children's Trust	AS 37.14.200	No	GF	3.01, 3.02
Alaska Clean Water	AS 46.03.032-035 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Debt Retirement	AS 37.15.011	No	GF	3.01, 3.02
Alaska Drinking Water	AS 46.03.036-039 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Energy Authority	AS 44.83.020	Yes	DPCU	6.01, 6.02
Alaska Fish and Game Revenue Bond Redemption	AS 37.15.770	Yes	DSF	3.41, 3.42
Alaska Gasline Development Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Gasline Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Historical Commission Receipts Account	AS 41.35.380	No	GF	3.01, 3.02
Alaska Housing Capital Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Housing Finance Corporation	AS 18.56.020	Yes	DPCU	1.41, 1.42
Alaska Industrial Development and Export Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.01, 3.02
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.01, 3.02
Alaska Mental Health Trust Authority	AS 47.30.011	Yes	DPCU	6.01, 6.02
Alaska Municipal Bond Bank Authority	AS 44.85.020	Yes	DPCU	6.01, 6.02
Alaska National Guard and Alaska Naval Militia Retirement System	AS 26.05.222	Yes	PTF	5.01, 5.02
Alaska Natural Gas Development Authority	AS 41.41.010	Yes	DPCU	6.01, 6.02
Alaska Permanent Fund	Constitution, Art. IX, sec. 15	Yes	PF	1.11 - 1.14
Alaska Public Building	AS 37.05.570	Yes	ISF	4.41 - 4.43
Alaska Railroad Corporation	AS 42.40.010	Yes	DPCU	6.01, 6.02
Alaska Seafood Marketing Institute	AS 16.51.010	Yes	DPCU	6.01 - 6.04
Alaska Senior Care	AS 47.45.360	No	GF	3.01, 3.02
Alaska Sport Fishing Construction Account	AS 16.05.130(f)	Yes	CPF	3.51, 3.52
Alaska Student Loan Corporation	AS 14.42.100	Yes	DPCU	6.01, 6.02
Alaska Technical and Vocational Education Program	AS 23.15.830	No	GF	3.01, 3.02
Alaska Transportation Infrastructure Bank	Section 350 of the NHSD Act of 1995 Federal Law	No	GF	3.01, 3.02
Alaska Veterans' Memorial Endowment	AS 37.14.700(a)	No	GF	3.01, 3.02

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Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13
Alcohol and Other Drug Abuse Treatment and Prevention	AS 43.60.050	No	GF	3.01, 3.02
Alcoholism and Drug Abuse Revolving Loan	AS 44.29.210	Yes	OAEF	4.31 - 4.33
Alternative Energy Conservation 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 - 3.33
Anatomical Gift Awareness	AS 13.50.160(a)	No	GF	3.01, 3.02
Art in Public Places	AS 44.27.060	No	GF	3.01, 3.02
Assistive Technology Loan Guarantee	AS 23.15.125	No	GF	3.01, 3.02
Building Safety Account	AS 44.31.025	No	GF	3.01, 3.02
Bulk Fuel Bridge Loan	AS 29.60.660	Yes	EAEF	4.21 - 4.23
Civil Legal Services Fund	AS 28.11.110	No	GF	3.01, 3.02
Clean Air Protection	AS 46.14.260	Yes	SRF	3.31 - 3.33
	Federal Clean Air Act			
Commercial Fishing Revolving Loan	AS 16.10.340	Yes	CAEF	4.11 - 4.13
Commercial Passenger Vessel Environmental Compliance	AS 46.03.482	No	GF	3.01, 3.02
Commercial Vessel Taxes Fund	AS 43.35.220 AS 43.52.230(a)	No	GF	3.01, 3.02
Community Revenue Sharing	AS 29.60.850	No	GF	3.01, 3.02
Constitutional Budget Reserve	Constitution, Art. IX, sec. 17 AS 37.13	Yes	GF	3.01, 3.02
Crime Victims Compensation Fund	AS 18.67.162	No	GF	3.01, 3.02
Deferred Compensation	AS 39.45.010	Yes	PTF	5.01, 5.02
Deposits, Suspense, and Miscellaneous		Yes	AF	5.11, 5.12
Disaster Relief	AS 26.23.300	No	GF	3.01, 3.02
Donated Commodity Fee	USC 7 CFR, Part 250	No	GF	3.01, 3.02
Educational and Museum Facility Design, Construction, and Major Maintenance (GO Bonds)	Ch 2, SSSLA 2002	Yes	CPF	3.51, 3.52
Educational Facilities Maintenance and Construction	AS 37.05.560	No	GF	3.01, 3.02
Election	Federal H.R. 3295	No	GF	3.01, 3.02
Employment Assistance and Training Program Account	AS 23.15.625	No	GF	3.01, 3.02
Exxon Valdez Oil Spill Investment Trust	PL 106-113	Yes	AF	5.11, 5.12
Exxon Valdez Oil Spill Restoration	U.S. District Court Judgment	Yes	SRF	3.31 - 3.33
Exxon Valdez Oil Spill Unincorporated Rural Community Grant	AS 44.33.115	No	GF	3.01, 3.02
Exxon Valdez Settlement Trust	AS 37.14.400	Yes	SRF	3.31 - 3.33
FHWA - Airspace Leases	Section 156 of the USSTURAA of 1987	No	GF	3.01, 3.02
FICA Administration	AS 39.30.050	No	GF	3.01, 3.02
Fish and Game	AS 16.05.100	Yes	SRF	3.31 - 3.33

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Fisheries Disaster	PL 108-7, SEC 2, Division N, Title V - Fisheries Disasters, Sec. 501 (a)	No	GF	3.01, 3.02
Fisheries Enhancement Revolving Loan	AS 16.10.505	Yes	CAEF	4.11 - 4.13
Fishermen's	AS 23.35.060(a)	Yes	SRF	3.31 - 3.33
Fuel Emergency	AS 26.23.400	No	GF	3.01, 3.02
Fund for the Improvement of School Performance	AS 14.03.125	No	GF	3.01, 3.02
General Fund	Operating fund of the State	Yes	GF	3.01, 3.02
General Obligation Bond Redemption	Various SLA's	Yes	DSF	3.41, 3.42
Group Health and Life Benefits	AS 39.30.095	Yes	ISF	4.41 - 4.43
Highways Equipment Working Capital	AS 44.68.210	Yes	ISF	4.41 - 4.43
Historical District Revolving Loan	AS 45.98.010	Yes	CAEF	4.11 - 4.13
Impact Aid	Federal PL 103-382	Yes	AF	5.11, 5.12
Information Services	AS 44.21.045	Yes	ISF	4.41 - 4.43
International Airports	AS 37.15.410-550	Yes	EF	1.21 - 1.23
Investment Loss Trust	AS 37.14.300	No	PTF/SBS	5.01, 5.02
Judicial Retirement System	AS 22.25.048	Yes	PTF	5.01, 5.02
Knik Arm Bridge and Toll Authority	AS 19.75.021	Yes	OAEF	4.31 - 4.33
Major Maintenance Grant	AS 14.11.007	No	GF	3.01, 3.02
Memorial Education Revolving Loan	AS 14.43.255	No	GF	3.01, 3.02
Mine Reclamation Trust	AS 37.14.800(a)	Yes	SRF	3.31 - 3.33
Mining Revolving Loan	AS 27.09.010	Yes	CAEF	4.11 - 4.13
Municipal Capital Project Matching Grant	AS 37.06.010	No	GF	3.01, 3.02
Municipal Harbor Facility Grant	AS 29.60.800	No	GF	3.01, 3.02
National Petroleum Reserve	AS 37.05.530	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation Bond Redemption	AS 18.56.086	Yes	DSF	3.41, 3.42
Oil and Gas Tax Credit	AS 43.55.028	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention and Response	AS 46.08.010	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention Mitigation Account	AS 46.08.020(b)	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Response Mitigation Account	AS 46.08.025(b)	No	GF	3.01, 3.02
Originator Surety	AS 06.60.500	No	GF	3.01, 3.02
Permanent Fund Dividend	AS 43.23.045	Yes	GF	3.01, 3.02
Public Advocacy Trust	AS 44.21.410	Yes	AF	5.11, 5.12
Public Education	AS 14.17.300	Yes	GF	3.01, 3.02
Public Employees' Retirement System	AS 39.35.095-680 AS 39.35.700-990	Yes	PTF	5.01, 5.02
Public School Trust	AS 37.14.110	Yes	PF	3.11, 3.12
Railbelt Energy	AS 37.05.520	No	GF	3.01, 3.02
Randolph-Sheppard Small Business	AS 23.15.130 20 USC 107-107(f)	No	GF	3.01, 3.02

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Real Estate Recovery	AS 08.88.450	No	GF	3.01, 3.02
Reclamation Bonding Pool	AS 27.19.040	Yes	SRF	3.31 - 3.33
Regional Cruise Ship Impact Fund	AS 43.52.230 (c)	No	GF	3.01, 3.02
Residential Energy Conservation	AS 45.89.010	Yes	EAEF	4.21 - 4.23
Retiree Health	AS 26.05.020, AS 22.25.048, AS 39.35.020, AS 14.25.010	Yes	PTF	5.01, 5.02
School	AS 43.50.140	Yes	SRF	3.31 - 3.33
School Construction Grant	AS 14.11.005	No	GF	3.01, 3.02
School Trust Land Sales	Attorney General Opinion	No	GF	3.01, 3.02
Second Injury	AS 23.30.040	Yes	SRF	3.31 - 3.33
Small Business Revolving Loan	AS 45.81.240	Yes	CAEF	4.11 - 4.13
State Insurance Catastrophe Reserve Account	AS 37.05.289	No	GF	3.01, 3.02
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.01, 3.02
State Land Reforestation	AS 41.17.300	No	GF	3.01, 3.02
Statutory Budget Reserve	AS 37.05.540	Yes	GF	3.01, 3.02
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.01, 3.02
Teachers' Retirement System	AS 14.25.009-220 AS 14.25.310-590	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580	No	GF	3.01, 3.02
Training and Building	AS 23.20.130(d)	No	GF	3.01, 3.02
Trans-Alaska Pipeline Liability (TAPS) Rebate	Federal PL 101-380	No	GF	3.01, 3.02
Transportation Projects (GO Bonds)	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Trauma Care Fund	AS 18.08.085	No	GF	3.01, 3.02
Unemployment Compensation	AS 23.20.130	Yes	OAEF	4.31 - 4.33
Unincorporated Community Capital Project Matching Grant	AS 37.06.020	No	GF	3.01, 3.02
University of Alaska	AS 14.40.040	Yes	DPCU	1.41, 1.42
Vocational Rehabilitation Small Business Enterprise Revolving	AS 23.15.130	No	GF	3.01, 3.02
Wage and Hour	AS 23.05.220	Yes	AF	5.11, 5.12
Workers' Compensation Benefits Guaranty	AS 23.30.082	No	GF	3.01, 3.02
Workers' Safety and Compensation Administration Account	AS 23.05.067	No	GF	3.01, 3.02



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Legend of Acronyms



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LEGEND OF ACRONYMS

Acronym	Description
AAC	Alaska Aerospace Corporation
AEA	Alaska Energy Authority
AF	Agency Fund
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
ALAE	Allocated Loss Adjustment Expense
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
ANGDA	Alaska Natural Gas Development Authority
APFC	Alaska Permanent Fund Corporation
ARHCT	Alaska Retiree Health Care Trust
ARMB	Alaska Retirement Management Board
ARRA	American Recovery and Reinvestment Act
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Industry
CAEF	Commercial Assistance Enterprise Fund
CBRF	Constitutional Budget Reserve Fund
CFR	Code of Federal Regulations
CH	Chapter
COPs	Certificates of Participation
CPF	Capital Project Fund
CSED	Child Support Enforcement Division
DCCED	Department of Commerce, Community, and Economic Development
DCP	Deferred Compensation Plan
DPCU	Discretely Presented Component Unit
DSF	Debt Service Fund
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
DVR	Division of Vocational Rehabilitation

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LEGEND OF ACRONYMS

Acronym	Description
EAEF	Energy Assistance Enterprise Fund
EF	Enterprise Fund
EMGF	Emerging Markets Growth Fund
EPORS	Elected Public Officers Retirement System
EVOS	Exxon Valdez Oil Spill
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FIFO	First In First Out
FSSLA	First Special Session Laws of Alaska
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-segregated Investments
GF	General Fund
GO	General Obligation
HRA	Health Reimbursement Arrangement
H.R.	House Resolution
IAF	International Airport Fund
ISF	Internal Service Fund
JRS	Judicial Retirement System
KABTA	Knik Arm Bridge and Toll Authority
MD&A	Management Discussion & Analysis
MSA	Master Settlement Agreement
NGNMRS	National Guard and Alaska Naval Militia Retirement System
NHSD	National Highway System Designation
NPR	National Petroleum Reserve
NR	Not Reported in CAFR
NRSRO	Nationally Recognized Statistical Rating Organization
NTSC	Northern Tobacco Securitization Corporation
OAEF	Other Agencies Enterprise Fund
OAH	Office of Administrative Hearings
OD&D	Occupational Death & Disability

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LEGEND OF ACRONYMS

Acronym	Description
PERS	Public Employees Retirement System
PF	Permanent Funds
PL	Public Law
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
RHF	Retiree Health Fund
RMP	Retiree Major Medical Insurance
SBS	Supplemental Benefits System
SF	Sport Fish
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SSSLA	Second Special Session Laws of Alaska
SRF	Special Revenue Fund
TAPS	Trans-Alaska Pipeline System
TRS	Teachers Retirement System
TSR	Tobacco Settlement Revenues
U of A	University of Alaska
USC	United States Code
USSTURAA	United States Surface Transportation and Uniform Relocation Assistance Act