

State of Alaska

Comprehensive Annual Financial Report

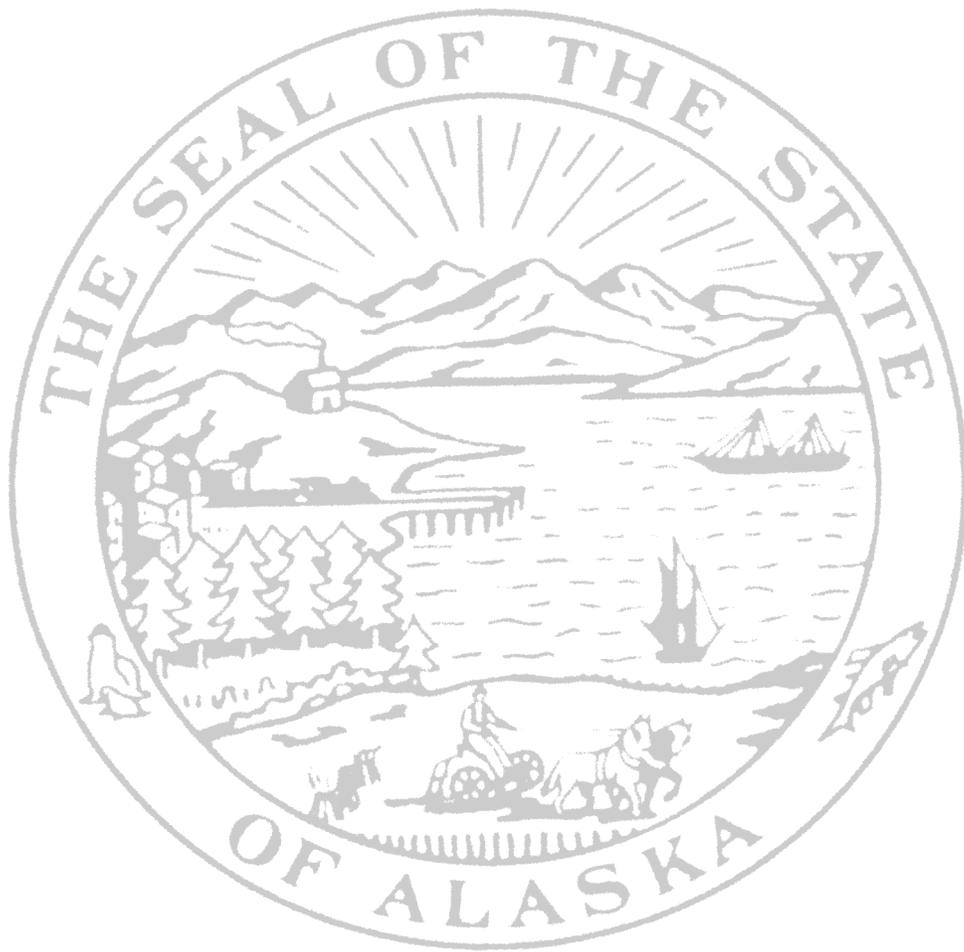
For the Fiscal Year
July 1, 2013 – June 30, 2014



Prepared by:
Department of Administration
Division of Finance

The FY 2014 CAFR is expected to be available on or after December 15, 2014 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 \$17.98 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, 2014

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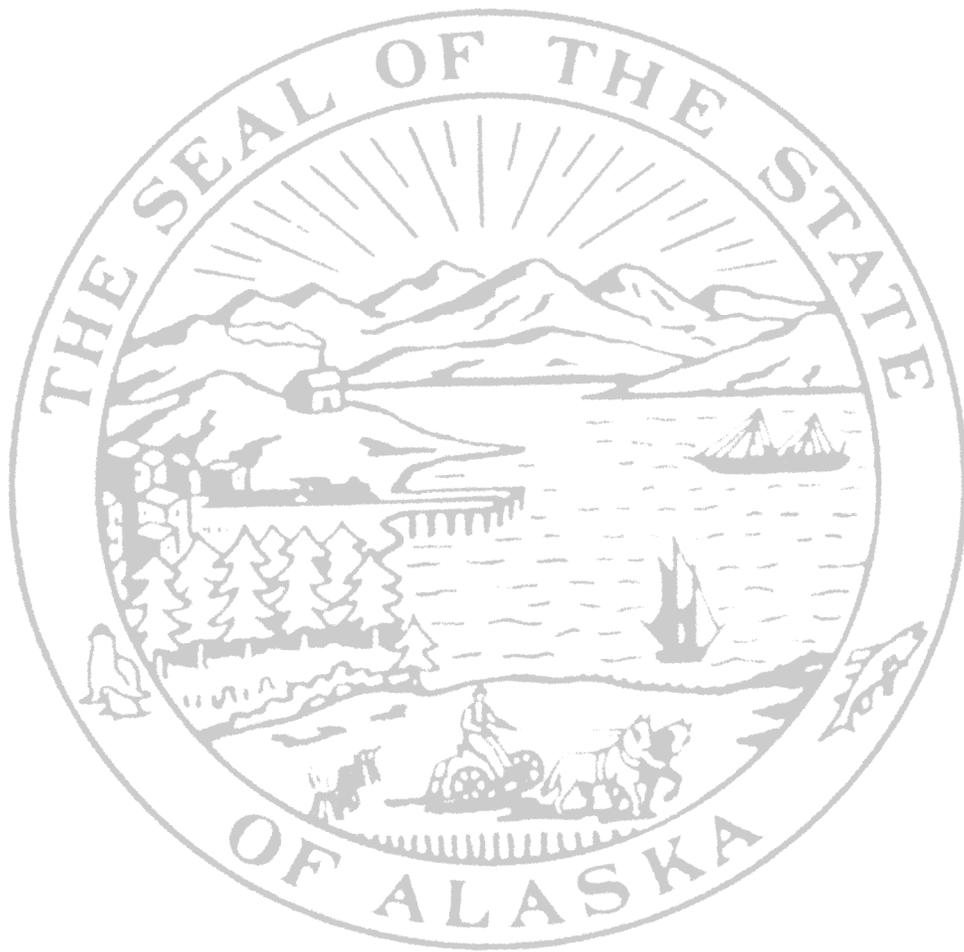
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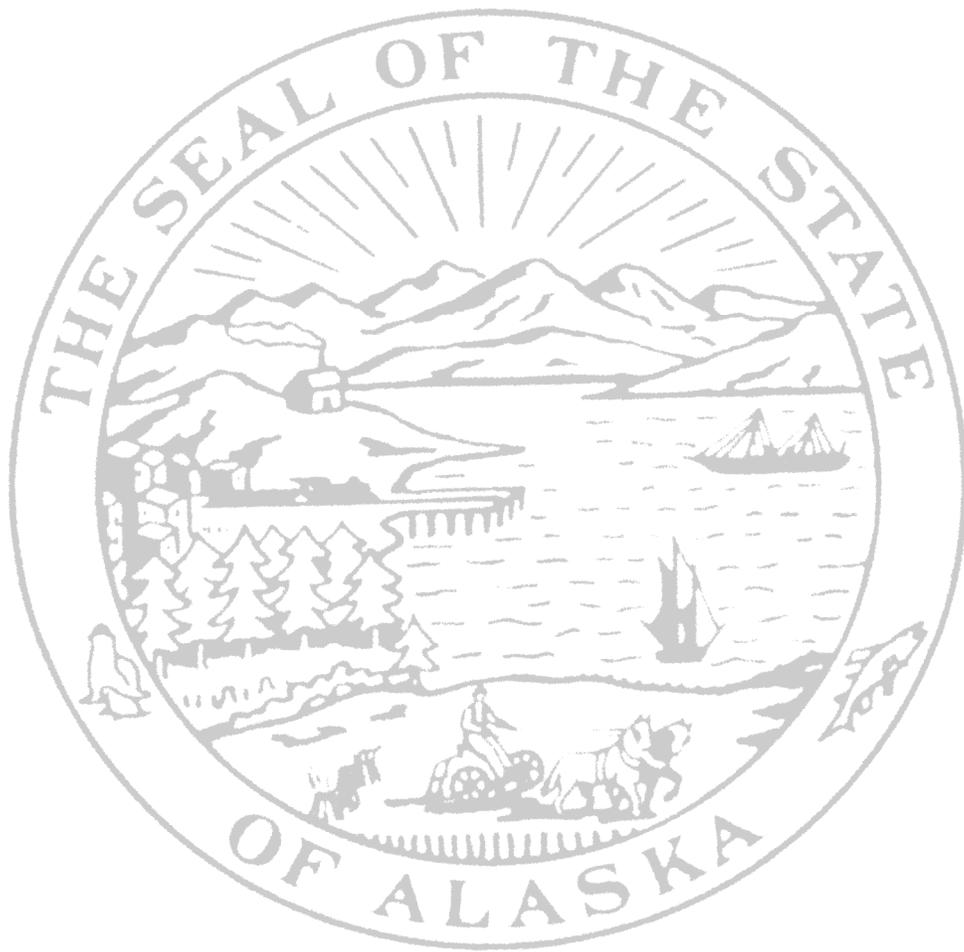
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Introductory Section





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THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

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December 15, 2014

The Honorable Bill Walker, 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, 2014. 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

Management Discussion and Analysis (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, 2014, 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 Amendments of 1996 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

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 for governmental funds (General, Permanent, and Special Revenue) 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 14, petroleum revenue decreased \$1.9 billion to 48 percent of all General Fund revenues. This is significantly lower than in past years. The largest source of nonpetroleum revenues is federal, which makes up 27 percent of revenues. With stronger markets, revenue from interest and investment income is continuing to grow and is expected to become more significant in future years. In FY 12, interest and investment income was 2.5 percent. It increased to 7.4 percent in FY 13 and then nearly doubled to 14.5 percent in FY 14.

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)				
Petroleum Revenue	FY 14	Percent	FY 13	Percent
Property Tax	\$ 128.1	1.5%	\$ 99.6	1.0%
Corporate Petroleum Income Tax	344.5	3.9%	478.1	4.6%
Severance Tax	2,035.2	23.1%	3,674.2	35.5%
Mineral Bonuses and Rents	15.1	0.2%	19.0	0.2%
Oil and Gas Royalties	1,705.0	19.3%	1,895.6	18.3%
Total Petroleum Revenue	4,227.9	48.0%	6,166.5	59.6%
<u>Nonpetroleum Revenue</u>				
Taxes	446.5	5.1%	513.9	5.0%
Licenses and Permits	124.3	1.4%	119.4	1.2%
Charges for Services	184.0	2.1%	193.4	1.9%
Fines and Forfeitures	16.7	0.2%	30.1	0.3%
Rents and Royalties	44.4	0.5%	35.0	0.3%
Interest and Investment Income/(Loss)	1,279.6	14.5%	766.7	7.4%
Other Revenue	77.1	0.9%	128.5	1.2%
Total Nonpetroleum Revenue	2,172.6	24.7%	1,787.0	17.3%
Federal Revenue	2,410.5	27.3%	2,392.4	23.1%
Total Revenues	\$ 8,811.0	100.0%	\$ 10,345.9	100.0%

The total expenditures charged against General Fund appropriations during FY 14 amounted to \$10.0 billion, an increase of \$165.3 million from FY 13. The Department of Military and Veterans Affairs experienced a significant increase due to emergency disaster relief spending. Expenditures by department are compared with the prior year in the following table:

Department Expenditures (stated in millions)	FY 14	Percent	FY 13	Percent
Office of the Governor	\$ 30.1	0.3%	\$ 32.5	0.3%
Administration	646.8	6.5%	775.2	7.9%
Law	68.5	0.7%	73.8	0.8%
Revenue	911.5	9.2%	888.1	9.0%
Education and Early Development	1,686.6	16.9%	1,648.8	16.8%
Health and Social Services	2,460.7	24.7%	2,563.3	26.1%
Labor and Workforce Development	148.7	1.5%	145.3	1.5%
Commerce, Community, and Economic Development	929.4	9.3%	878.0	8.9%
Military and Veterans' Affairs	100.6	1.0%	71.1	0.7%
Natural Resources	215.2	2.2%	192.6	2.0%
Fish and Game	139.8	1.4%	129.6	1.3%
Public Safety	191.1	1.9%	203.6	2.1%
Environmental Conservation	141.4	1.4%	145.6	1.5%
Corrections	313.4	3.1%	301.8	3.1%
Transportation and Public Facilities	1,279.7	12.8%	1,145.0	11.7%
Legislature	71.2	0.7%	63.4	0.6%
Debt Service	1.8	0.0%	7.6	0.1%
Alaska Court System	123.2	1.2%	124.2	1.3%
University	518.7	5.2%	423.6	4.3%
Total Expenditures	\$ 9,978.4	100.0%	\$ 9,813.1	100.0%

Major Industry

Alaska receives more revenue from oil production related activities than any other source. Oil prices have begun to soften and have been below \$100 per barrel since August 2014. Currently, spot oil prices are around \$80 per barrel; however, it is too soon to conclude that any major structural change has occurred. The Department of Revenue is projecting the while these prices may show considerable volatility in the next several years, annual average prices should increase back to over \$100 per barrel based on fundamental analyses of the structure of oil markets. Actual Alaska North Slope oil averaged prices around \$107.57 during FY 14, the same as FY 13.

The method of calculating production tax revenue changed during the 2013 legislative session with the passage of the More Alaska Production Act (MAPA). Starting on January 1st, 2014, oil production on the North Slope of Alaska is taxed at 35% of the net value of production, with a credit for each barrel of oil produced and a special reduction in taxes for new oil developments. These incentives have already drawn an industry response, including increased activity in developed areas and increased likelihood that new areas will enter production. The department of revenue is forecasting an increase of \$10 billion in investment over the next 10 years and has already seen industry expenditures increase by a third in the short-term. This is a good first step in accessing the billions of recoverable barrels currently undeveloped on the North Slope.

Additionally, the favorable tax environment and business climate in the Cook Inlet basin continues to support four consecutive years of increased oil production in the area. New federal leases offered in the Cook Inlet may also provide opportunities for greater expansion.

Finally, efforts to monetize the massive natural gas accumulations on Alaska's North Slope continue. These efforts include continued interest by major corporations to evaluate a two billion cubic feet per day pipeline that would export liquefied natural gas to Asia and an opportunity to transport a smaller quantity of natural gas from the North Slope to the major urban centers for in-state use. The State and the North Slope Oil and Gas Producers have reached consensus on a new and comprehensive approach to commercializing North Slope natural gas resources. For the first time, the State and Producers have aligned their interests towards building a world-scale liquid natural gas (LNG) project, which will provide reliable supplies of natural gas to Alaska, provide opportunities for expansion of gas exploration outside the North Slope, and open foreign markets to Alaska natural gas. All the parties have agree on a process, entitled Alaska LNG or AK LNG, which is governed by a Heads of Agreement (HOA). Additionally, there is a Memorandum of Understanding (MOU) between the State and TransCanada for participation in the mid-stream of the project. Finally, the passage of House Bill 277 and Senate Bill 138 in 2014 authorized the Department of Natural Resources and Department of Revenue to enter into the project's commercial arrangements described in the HOA and MOU. Such a project would provide significant general fund revenues and payments into the Permanent Fund in the future.

Long-term Financial Planning

With declining oil production, an uncertain 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 remains at AAA, the highest grade, by Fitch Ratings. An AAA rating was received due to the State's large financial reserves, strong financial management, extensive fiscal flexibility, and budgetary restraint.

During FY 14, the State of Alaska issued \$170.0 million in General Obligation Bond Anticipation Notes, Series 2014, generating \$171.5 million in proceeds to the State from par amount and original issue premium, for the purpose of refinancing \$149.6 million of the State's General Obligation Bond Anticipation Notes, Series 2013, \$28.9 million for paying additional costs of the projects authorized by the State Transportation Bond Act. These General Obligation Bond Anticipation Notes were rated "MIG 1" by Moody's Investors Service, Inc., "SP-1+" by Standard & Poor's Ratings Services, and "F1+" by Fitch Ratings.

During FY 15, the State of Alaska, through the Alaska State Bond Committee, issued the Series 2014 Certificates of Participation (COPs) for the Alaska Native Tribal Health Consortium (ANTHC) housing facility project based on authority provided in 2013 by passage of Senate Bill No. 88 enacted as Chapter 63. The State sold \$30.9 million in certificates generating \$35.3 million in proceeds to the State of which \$35.0 million was deposited into the project account and \$325.0 thousand was deposited into the cost of issuance account. Moody's Investors Service, Inc., Fitch Ratings and Standard & Poor's Ratings Service assigned the certificates ratings of "Aa1," "AA+," and "AA+" respectively.

Also during FY 15, the State anticipates refinancing the General Obligation Bond Anticipation Notes, Series 2014 prior to their maturity date of March 23, 2015, and if warranted issue additional bonds to fund projects authorized by the 2012 State Transportation Bond Act.

Net position at June 30, 2014 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$15.3 billion and \$6.3 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2013, actuarial valuations indicated the actuarial accrued liabilities were 54.5 percent pensions and 46.0 percent postemployment funded for PERS, and 48.1 percent pension and 36.1 percent postemployment funded for TRS. Recognizing that the unfunded pension liability is the largest budget cost driver, Chapter 18 SLA 2014 transferred \$1 billion into the PERS and \$2 billion into the TRS from the Constitutional Budget Reserve Fund (CBRF) during FY 15. 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, Alaska must grow 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. Revenue and other economic activity generated from the commercialization of Alaska's natural gas would help diversify Alaska's revenue sources and provide a potentially substantial source of revenue to offset declining oil revenue. In addition, commercialization of North Slope gas, in conjunction with other state investments to reinvigorate natural gas production in Cook inlet, will provide economic opportunity and a stable, clean source of energy to fuel Alaskan businesses and homes for years to come. Efforts to diversify and enhance

revenue sources cannot solely rely on commercializing Alaska's natural gas. Alaska must continue to make strides to maximize production from existing oil fields and develop other economic opportunities, particularly from its abundant natural resource base.

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 became 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 the 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 SBRF and the CBRF in the event expenditures exceeded revenues; which did occur in several years. All borrowings from the CBRF were repaid by FY 10 and no additional borrowings have taken place. During FY 14, \$27.5 million of royalty revenue was transferred into the CBRF as a result of audit dispute resolution per Article 9, Section 17 of the State Constitution. In FY 14, the unrestricted fund balance in the General Fund was insufficient to cover General Fund appropriations. This resulted in a \$1,920 million year-end transfer from the SBRF to the General Fund.

Initiatives

The State is continuing the implementation of 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. The scheduled “go-live” for the financial section of the ERP, named IRIS, is July 1, 2015.

To provide a clear path toward a gasoline that can create thousands of jobs, fuel Alaskan homes and businesses, and grow our economy, the FY 15 budget includes \$81.5 million to advance the Alaska LNG Project.

All State agencies are reporting program performances that describe 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, 2013. This is the eleventh 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 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 //

Amy Erickson
Acting Commissioner
Department of Administration

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Scot Arehart
Director
Division of Finance

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Lisa M. Pusich, CPA
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State Accountant
Division of Finance



Government Finance Officers Association

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For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

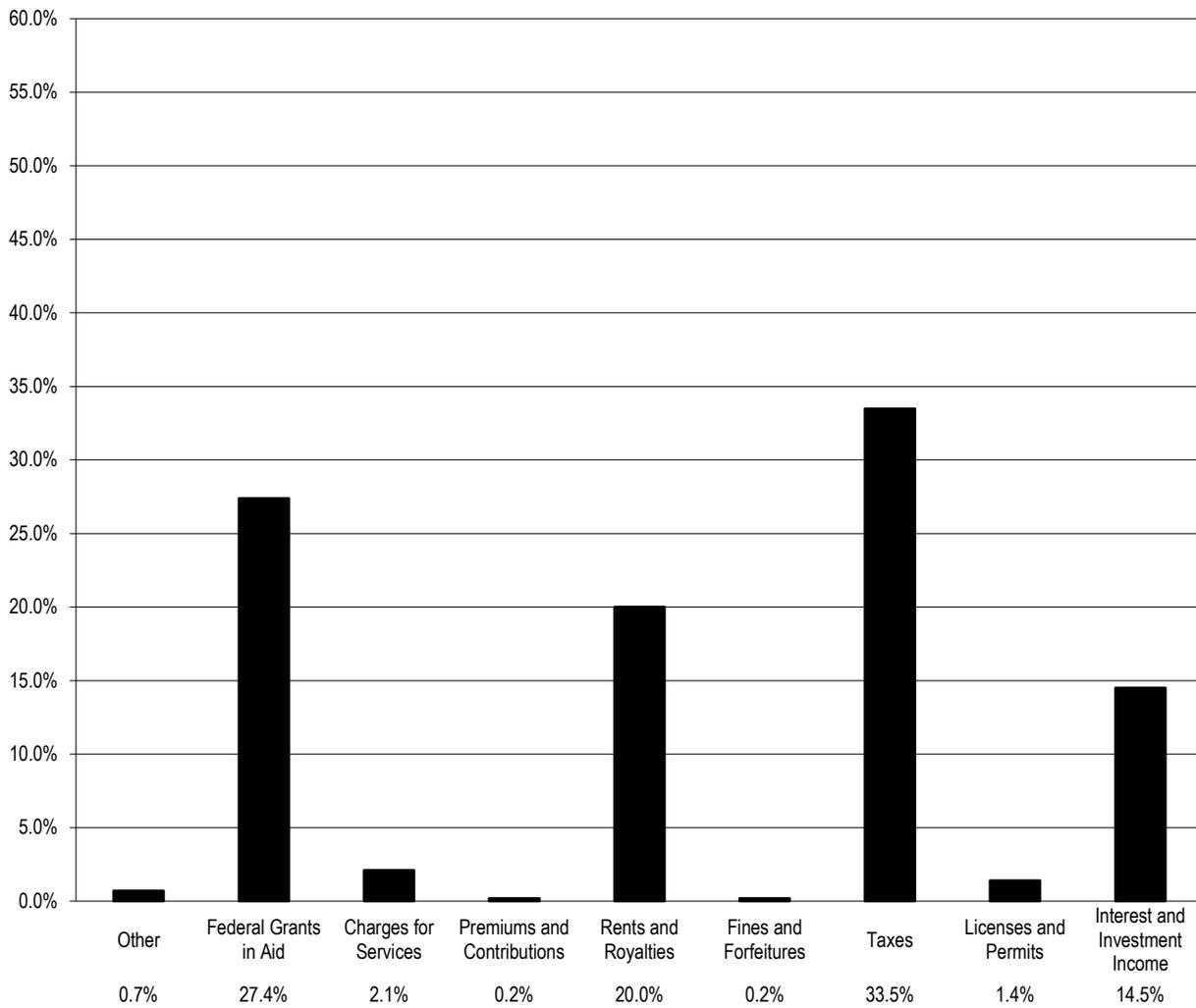
June 30, 2013

Executive Director/CEO

STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

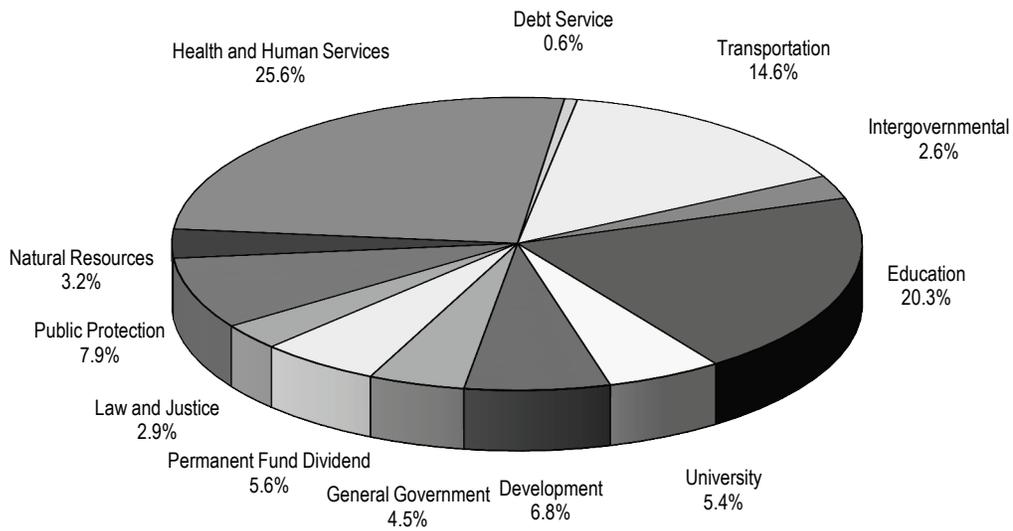
\$8,811
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

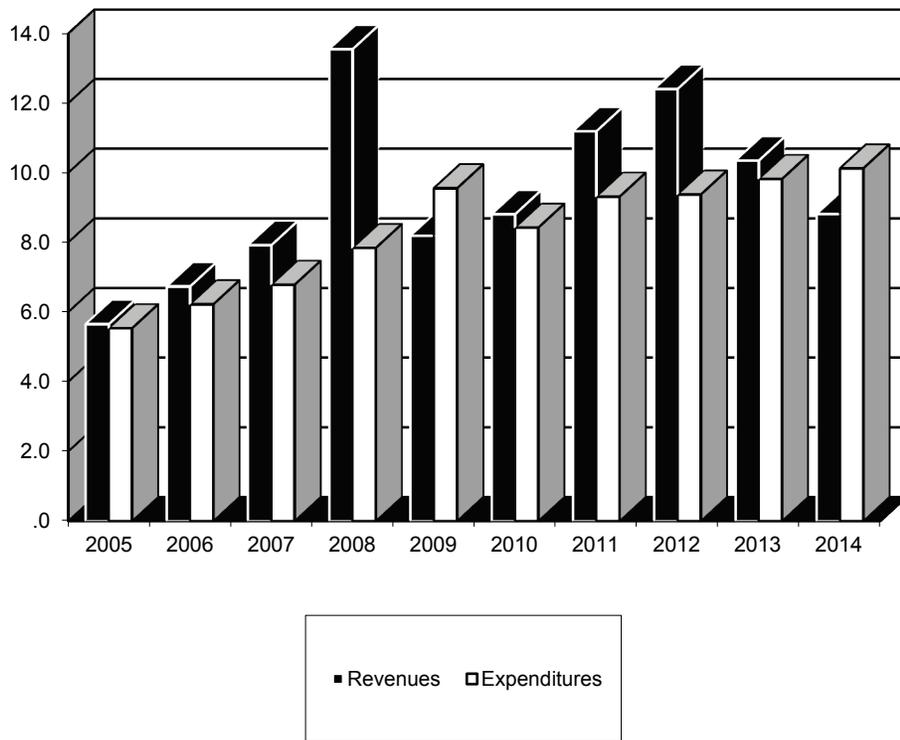
\$10,122
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

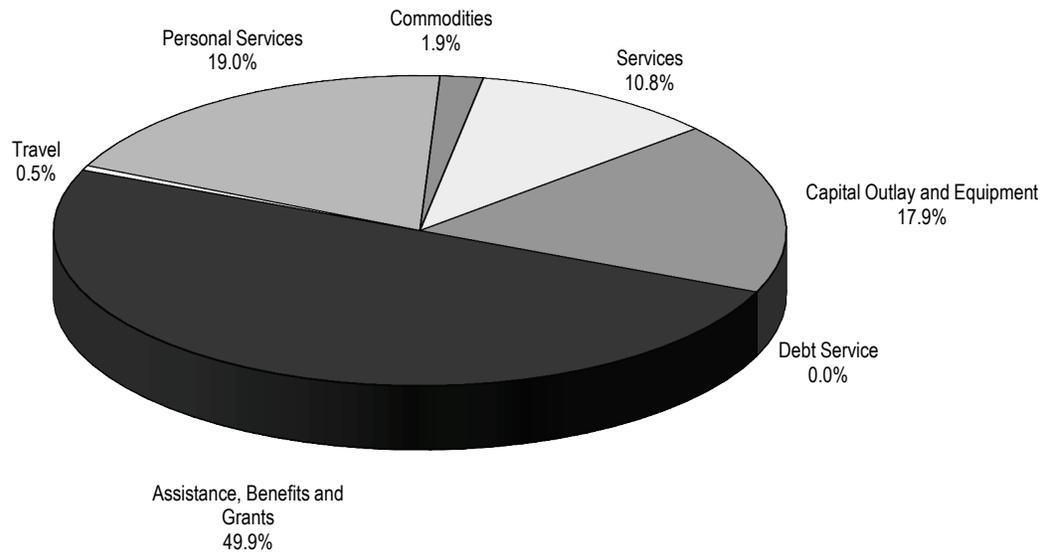
TEN YEAR COMPARISON
FOR THE FISCAL YEARS 2005 THROUGH 2014

(Stated in Billions)



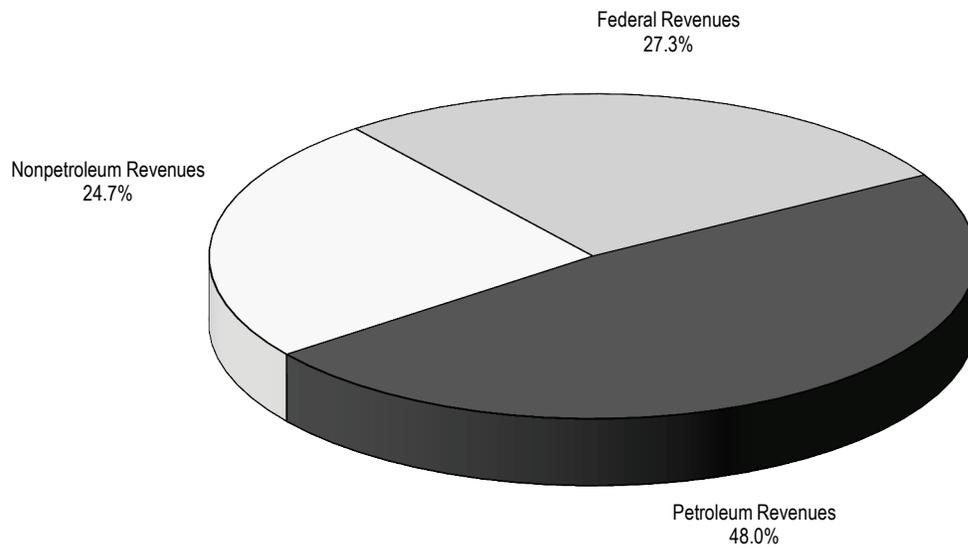
STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



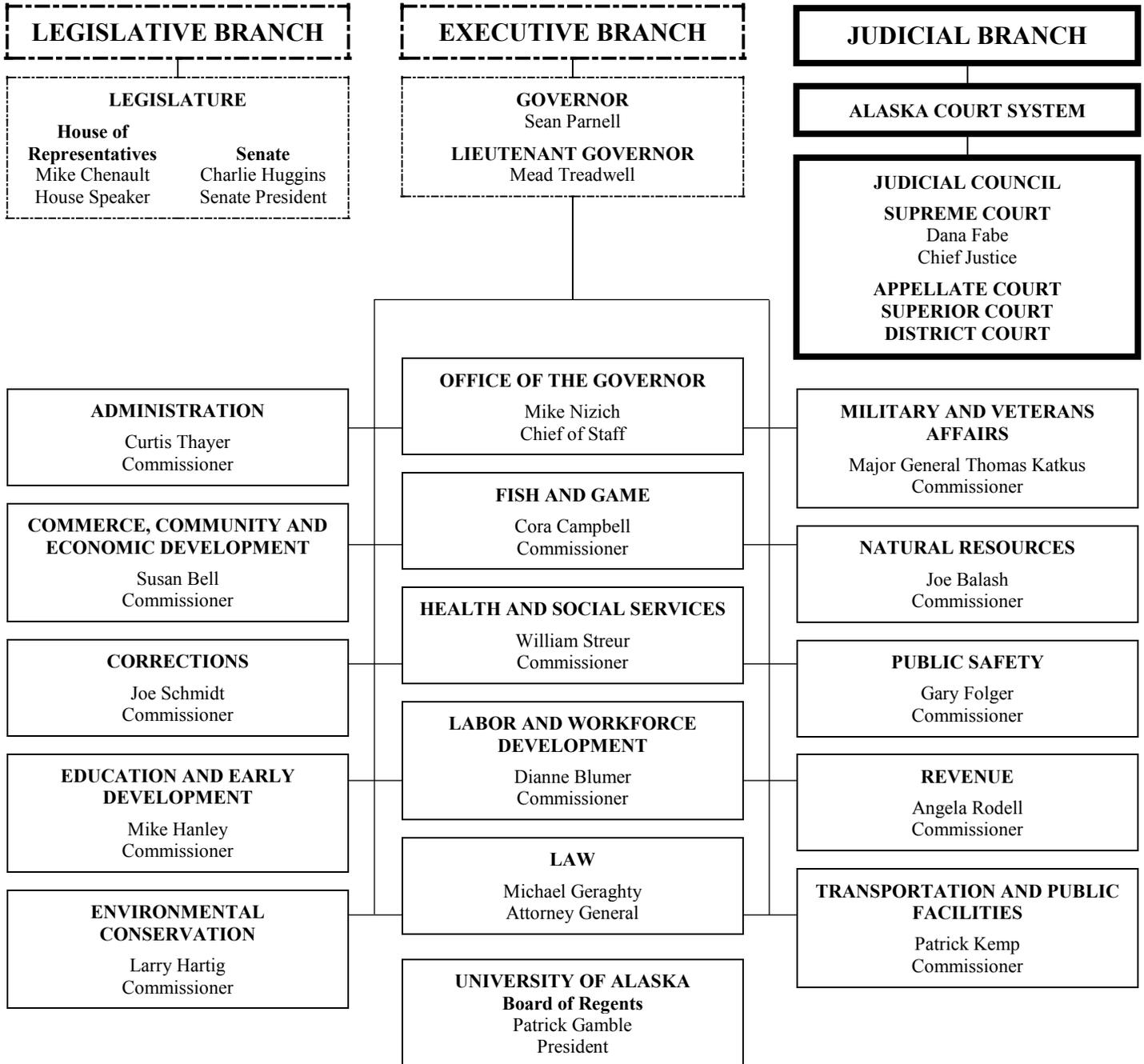
STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014



STATE OF ALASKA ORGANIZATION CHART

As of June 30, 2014



- 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 protections. To accomplish these, the department implements programs for sustainable business growth and reduced energy costs, 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, Business and Professional 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 Industrial Development and Export Authority, Alaska Energy Authority, Alaska Railroad Corporation, Alaska Gasline Development Corporation, Alaska Seafood Marketing Institute, Regulatory Commission of Alaska, Alcoholic Beverage Control Board 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 confinement and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and oversight of 15 small community jails. Also

included in the department is the Alaska Board of Parole, a quasi-judicial board that makes all parole related decisions.

EDUCATION AND EARLY DEVELOPMENT

The Department of Education and Early Development is responsible for Alaska's system of public education. The State Board of Education and Early Development is the executive board of the department. The board develops educational policy, promulgates regulations governing education, appoints the commissioner of Education and Early Development with the Governor's approval, and is the channel of communication between state government and the public for educational matters. Education policies are determined by the board and administered by the commissioner through department divisions. Programs administered include: Public school funding, teacher certification, and student assessment. The department also operates Mt. Edgecumbe High School, the state's secondary boarding school program. The department administers the state libraries, archives, museum services, provides grants to the arts community. Other state entities associated with the department for administrative purposes are the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation.

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 substance 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 department and its eight divisions focus on three priority areas: Health and wellness across the lifespan; health care access, delivery and value; and safe and responsible individuals, families and communities. Within these three priority areas, the department's seven core services are to: Protect and promote the health of Alaskans; provide quality of life in a safe living environment for Alaskans; manage health care coverage for Alaskans in need; facilitate access to affordable health care for Alaskans; strengthen Alaska families; protect vulnerable Alaskans; and to promote personal responsibility and accountable decisions by Alaskans. Each of its eight divisions shares a department-wide service philosophy of delivering the right care to the right person at the right time for the right price.

The department's primary functions include: Administering Medicaid services for low-income and disabled Alaskans through the Division of Health Care Services; operation of the Alaska Veterans and Pioneers Homes; support services for seniors, providing support to disabled Alaskans and vulnerable adults through the Division of Senior and Disabilities Services; providing child protection and family preservation programs through the Office of Children's Services; operating youth detention facilities, including helping offenders transition back into their communities, through the Division of Juvenile Justice; and offering basic financial assistance, with an emphasis on self-sufficiency, to Alaskans in need through the Division of Public Assistance.

The department is committed to prevention of illness, health promotion and protection, including emergency preparedness, through the Division of Public Health; and the Division of Behavioral Health oversees 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.

LABOR AND WORKFORCE DEVELOPMENT

The Department of Labor and Workforce Development is responsible for advancing opportunities for employment and ensuring 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 mission of the Department of Military and Veterans' Affairs is to provide military forces to accomplish military missions in the state and around the world; provide homeland security and defense; emergency response; veteran's services; and youth military style training and education. The commissioner serves as the Adjutant General of the State of Alaska and has command over the approximately 4,000 Army and Air guardsmen of the Alaska National Guard. The commissioner also oversees the Division of Homeland Security and Emergency Management, Office of Veterans Affairs, Alaska Military Youth Academy, Alaska Aerospace Corporation, State Defense Force, Naval Militia and the second largest Facilities Maintenance operation in state government. Each agency in the department serves the mission of the department as follows:

Alaska Air Guard - recruit, train, equip, and maintain America's finest airmen to support State of Alaska emergency operations and daily homeland security and defense missions, provide rescue forces on continual alert, protect life and property for the citizens of Alaska, and support worldwide contingency operations.

Alaska Army Guard - organize, man, equip, and train quality units to conduct tactical operations and stability support operations in support of State of Alaska emergency missions and U.S. Army requirements.

Facilities Maintenance/Management - to provide, maintain and operate safe, secure, high quality facilities, training areas and ranges for the Alaska Army National Guard on a cost effective basis which meet or exceed unit mission requirements, environmental compliance standards and energy efficiencies.

Alaska State Defense Force - volunteer organization whose primary role is to augment and support the Alaska National Guard.

Alaska Naval Militia - maintain relationship with the United States Navy Reserve to secure Naval Militia response capability in Alaska.

Homeland Security and Emergency Management - protect lives and property from terrorism and all other hazards and provide rapid recovery from all disaster events.

Alaska Military Youth Academy - help reclaim the lives of at-risk youth and produce program graduates with the values, skills, education and self-discipline to succeed as adults.

Veterans' Services - develop and sustain a comprehensive statewide veterans' advocacy program and administer state veterans' programs.

Alaska Aerospace Corporation - promote aerospace related economic growth and development and strengthen Alaska's technological infrastructure.

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 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: Responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest; foster responsible commercial development and use of state land and natural resources consistent with the public interest, for long-term wealth and employment; provide access to state lands for public and private use, settlement, and recreation; ensure sufficient data acquisition and assessment of land and resources to foster responsible resource development; mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geological hazards, and promoting and encouraging an agriculture industry within the state.

The department serves the state from offices located in 30 Alaskan communities, and encompasses the divisions of Agriculture; Forestry; Geological and Geophysical Surveys; Mining, Land and Water; Oil and Gas; Parks and Outdoor Recreation, and Support Services; the Gas Pipeline Project Office; the Office of Project Management and Permitting; the Mental Health Trust Land Office; the State Pipeline Coordinator's 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 approximately 700 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 260,000 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, and highway safety laws; maintaining Alaska's central repository of criminal history record information and automated fingerprint identification system; 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; certifying fire service personnel; 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, 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 254 state-owned airports and seaplane bases, 5,619 miles of state roads, 720 buildings ranging from maintenance shops to state office complexes, and 25 harbor facilities. In addition, the department owns and operates the Alaska Marine Highway System, serving 33 Alaskan communities, Bellingham, WA, and Prince Rupert, BC with a fleet of 11 ships. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of approximately 8,200 light- and heavy-duty vehicles and attachments for state departments, agencies and offices.

ALASKA STATE LEGISLATURE

Twenty-Eighth Legislature, Second Session (2014)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	John Coghill (R)	Fairbanks	1	Doug Isaacson (R)	North Pole
			2	Tammie Wilson (R)	North Pole
B	Pete Kelly (R)	Fairbanks	3	Steve Thompson (R)	Fairbanks
			4	Scott Kawasaki (D)	Fairbanks
C	Click Bishop (R)	Fairbanks	5	Pete Higgins (R)	Fairbanks
			6	Eric Feige (R)	Chickaloon
D	Mike Dunleavy (R)	Wasilla	7	Wes Keller (R)	Wasilla
			8	Shelley Hughes (R)	Palmer
E	Charlie Huggins (R)	Wasilla	9	Lynn Gattis (R)	Wasilla
			10	Mark Neuman (R)	Big Lake
F	Fred Dyson (R)	Eagle River	11	Bill Stolze (R)	Chugiak
			12	Dan Saddler (R)	Eagle River
G	Bill Wielechowski (D)	Anchorage	13	Gabrielle LeDoux (R)	Anchorage
			14	Max Gruenberg (D)	Anchorage
H	Berta Gardner (D)	Anchorage	15	Andy Josephson (D)	Anchorage
			16	Harriet Drummond (D)	Anchorage
I	Johnny Ellis (D)	Anchorage	17	Geran Tarr (D)	Anchorage
			18	Les Gara (D)	Anchorage
J	Hollis French (D)	Anchorage	19	Lindsey Holmes (R)	Anchorage
			20	Mia Costello (R)	Anchorage
K	Lesil McGuire (R)	Anchorage	21	Craig Johnson (R)	Anchorage
			22	Chris Tuck (D)	Anchorage
L	Kevin Meyer (R)	Anchorage	23	Bob Lynn (R)	Anchorage
			24	Charisse Millett (R)	Anchorage
M	Anna Fairclough (R)	Eagle River	25	Lance Pruitt (R)	Anchorage
			26	Lora Reinbold (R)	Eagle River
N	Cathy Giessel (R)	Anchorage	27	Mike Hawker (R)	Anchorage
			28	Mike Chenault (R)	Nikiski
O	Peter Micciche (R)	Soldotna	29	Kurt Olson (R)	Soldotna
			30	Paul Seaton (R)	Homer
P	Dennis Egan (D)	Juneau	31	Cathy Munoz (R)	Juneau
			32	Sam Kito, III (D)	Juneau
Q	Bert Stedman (R)	Sitka	33	Peggy Wilson (R)	Wrangell
			34	Jonathan Kreiss-Tomkins (D)	Sitka
R	Gary Stevens (R)	Kodiak	35	Alan Austerman (R)	Kodiak
			36	Bryce Edgmon (D)	Dillingham
S	Lyman Hoffman (D)	Bethel	37	Bob Herron (D)	Bethel
			38	David Guttenberg (D)	Fairbanks
T	Donald Olson (D)	Golovin	39	Neal Foster (D)	Nome
			40	Benjamin Nageak (D)	Barrow

LEADERSHIP

STATE SENATE
Charlie Huggins, Senate President

HOUSE OF REPRESENTATIVES
Mike Chenault, Speaker of the House

FINANCE COMMITTEES

STATE SENATE
Pete Kelly, Co-Chair
Kevin Meyer, Co-Chair
Anna Fairclough, Vice-Chair

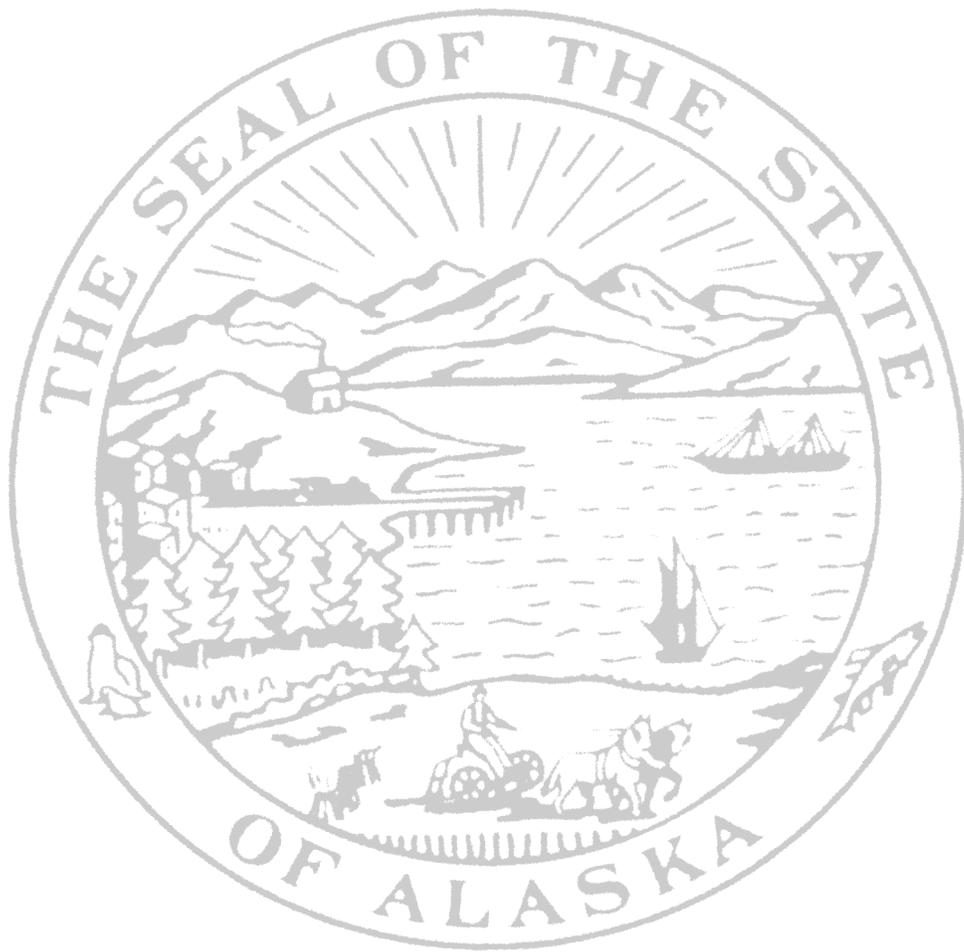
HOUSE OF REPRESENTATIVES
Alan Austerman, Co-Chair
Bill Stoltze, Co-Chair
Mark Neuman, Vice-Chair

Members:
Mike Dunleavy, Click Bishop
Donald Olson, Lyman Hoffman

Members:
Mia Costello, Bryce Edgmon, Lindsey Holmes
Cathy Munoz, Steve Thompson, Tammie Wilson,
Les Gara, David Guttenberg

Financial Section





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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P.O. Box 113300
Juneau, AK 99811-3300
(907) 465-3830
FAX (907) 465-2347
legaudit@akleg.gov

Independent Auditor's Report

Citizens of the State of Alaska

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Alaska Permanent Fund, International Airports Fund, University of Alaska, Alaska Housing Finance Corporation, Alaska Industrial Development and Export Authority, Alaska Railroad Corporation, Alaska Energy Authority, Alaska Municipal Bond Bank Authority, Alaska Housing Capital Corporation, Alaska Clean Water Fund, Alaska Drinking Water Fund, Pension and Other Employee Benefit Trust Funds, and Invested Assets Under the Investment Authority of the Commissioner of Revenue. As shown on the following page, those financial statements reflect assets and revenues of the indicated opinion units.

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Activities	90%	54%
Business-Type Activities	73%	37%
Aggregate Discretely Presented Component Units	88%	93%
Major Funds:		
General Fund	90%	14%
Alaska Permanent Fund	100%	100%
Alaska International Airports	100%	100%
Aggregate Remaining Fund Information	91%	89%

Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those accounts, funds, retirement plans, and component units, are based solely on the report of the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Qualified
Alaska Permanent Fund	Unmodified
Alaska International Airports	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Governmental Activities and General Fund

The State of Alaska's Department of Health and Social Services implemented a new information system to process Medicaid claims during FY 14 that generated approximately \$1.1 billion in General Fund expenditures and \$658.8 million in General Fund federal grants-in-aid revenue. From the point of implementation, the new Medicaid system contained pervasive, significant defects. We are unable to obtain sufficient appropriate audit evidence about the expenditures for Medicaid services and related revenues as of June 30, 2014, because the system controls were not effective, and the performance of substantive procedures was not sufficient.

Qualified Opinions

In our opinion, based on our audit and the report of other auditors, except for the effects of the matter described in the "*Basis for Qualified Opinions on Governmental Activities and General Fund*" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities and the General Fund information of the State of Alaska, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, Alaska Permanent Fund, Alaska International Airports, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Matter

As discussed in Note 3 to the financial statements for fiscal year 2014, the State of Alaska and its components adopted the provisions of *Governmental Accounting Standards Board Statement Number 65, Items Previously Reported as Assets and Liabilities*. Adoption of this statement resulted in the restatement of net position as of June 30, 2013, for several entities presented. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, Supplemental Benefits and Deferred Compensation funds changed their reporting period year end to June 30 from January 31 and December 31, respectively. These funds are audited by other auditors and presented in the Pension and Other Employee Benefit Trust Funds. The financial operations in the combining statement of changes in fiduciary net position for Supplemental Benefits are presented for a period of 17-months ended June 30, 2014, and Deferred Compensation for a period of 18-months ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and the Corresponding Notes, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 combining and individual nonmajor fund financial statements and schedules, and the other information such as the introductory section, statistical section, index of funds, legends of acronyms, and section divider pages are presented for 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section, index of funds, legends of acronyms, and section divider pages have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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Kris Curtis, CPA CISA
Legislative Auditor

Juneau, Alaska
December 10, 2014



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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, 2014. 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 and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of FY 14 by \$82.1 billion (net position). Of this amount, \$7.1 billion is invested in capital assets, \$46.7 billion is restricted for various purposes, and unrestricted net position is \$28.3 billion. Unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net position increased by \$6.1 billion as a result of this year's operations. This increase is primarily attributable to interest and investment gains.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$74.6 billion, with \$28.6 billion unrestricted (includes committed, assigned, and unassigned), \$45.8 billion nonspendable, and \$231 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$45.0 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, 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 \$22.3 billion. This is a decrease of \$0.1 billion from FY 13. The decrease is mainly attributable to a decrease in taxes collected by the State.

Long-term debt

- As a result of this year's activity, after taking into account the effect of a prior period adjustment, the State's total long-term debt decreased by \$177 million (6.21 percent). The decrease in debt is primarily due to a decrease in unearned revenue, a decrease in outstanding revenue bonds, as well as a decrease in general obligation bonds. Additional information regarding long-term debt can be found in Note 6. Additional information regarding prior period adjustments can be found in Note 3.

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 position presents information on all of the State's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 97.5 percent of total government-wide cash and investments and 89.8 percent of total government-wide net position (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 9.2 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

Fiduciary funds – The State acts as a trustee or fiduciary for its employee pension plans. In addition, it is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. 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 (RSI)

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 position should serve over time as a useful indicator of a government's financial position. State assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82.1 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the State's net position (62.4 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 (\$45.0 billion) may not be spent.

The remainder of the State's net position (37.6 percent) represents net investment in capital assets (\$7.1 billion), resources that are subject to external restrictions of how they may be used (\$1.6 billion), and the remaining unrestricted net position of \$22.2 billion, which excludes \$6.2 billion that is in the Alaska Permanent Fund.

Net Position
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
	Current and Other Noncurrent Assets	\$ 78,597	\$ 75,016	\$ 1,313	\$ 1,237	\$ 79,910
Capital Assets	6,951	6,717	1,312	1,335	8,263	8,052
Total Assets	85,548	81,733	2,625	2,572	88,173	84,305
Deferred Outflows of Resources	6	-	-	-	6	-
Long-term Liabilities	2,151	2,428	521	572	2,672	3,000
Other Liabilities	3,385	5,282	19	18	3,404	5,300
Total Liabilities	5,536	7,710	540	590	6,076	8,300
Net Position:						
Net Investment in Capital Assets	6,205	5,940	868	847	7,073	6,787
Restricted	45,797	41,812	866	778	46,663	42,590
Unrestricted	28,016	26,271	351	357	28,367	26,628
Total Net Position	\$ 80,018	\$ 74,023	\$ 2,085	\$ 1,982	\$ 82,103	\$ 76,005

The net position of governmental activities increased \$5,995 million and business-type activities increased \$103 million as a result of this year's operations. The increase in governmental activities is primarily due to an increase in the Alaska Permanent Fund investment gains. The increase in business-type activities is primarily due to a decrease in unemployment compensation expenditures.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during FY 14.

	Changes in Net Position					
	(Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Revenues						
Program Revenues						
Charges for Services	\$ 2,928	\$ 3,190	\$ 372	\$ 359	\$ 3,300	\$ 3,549
Operating Grants	1,810	1,867	26	81	1,836	1,948
Capital Grants	681	651	80	109	761	760
General Revenues						
Taxes	2,974	4,787	-	-	2,974	4,787
Interest and Investment Income/(Loss)	8,236	5,208	(14)	(17)	8,222	5,191
Payments In from Component Units	23	32	-	16	23	48
Other Revenues	60	99	5	4	65	103
Total Revenues	<u>16,712</u>	<u>15,834</u>	<u>469</u>	<u>552</u>	<u>17,181</u>	<u>16,386</u>
Expenses						
General Government	554	573	-	-	554	573
Alaska Permanent Fund Dividend	571	563	-	-	571	563
Education and University	2,676	2,645	-	-	2,676	2,645
Health and Human Services	2,587	2,717	-	-	2,587	2,717
Law and Justice	270	267	-	-	270	267
Public Protection	805	730	-	-	805	730
Natural Resources	383	376	-	-	383	376
Development	1,123	701	5	5	1,128	706
Transportation	1,404	1,157	-	-	1,404	1,157
Intergovernmental	262	287	-	-	262	287
Debt Service	65	64	-	-	65	64
Loans	-	-	10	8	10	8
Unemployment Compensation	-	-	196	259	196	259
Airports	-	-	158	151	158	151
Total Expenses	<u>10,700</u>	<u>10,080</u>	<u>369</u>	<u>423</u>	<u>11,069</u>	<u>10,503</u>
Excess (Deficiency) of Revenues						
Over Expenditures	6,012	5,754	100	129	6,112	5,883
Transfers	(1)	(23)	1	23	-	-
Change in Net Position	<u>6,011</u>	<u>5,731</u>	<u>101</u>	<u>152</u>	<u>6,112</u>	<u>5,883</u>
Net Position - Beginning of Year (restated)	74,018	68,292	1,984	1,830	76,002	70,122
Prior Period Adjustment	(11)	-	-	-	(11)	-
Net Position - End of Year	<u>\$ 80,018</u>	<u>\$ 74,023</u>	<u>\$ 2,085</u>	<u>\$ 1,982</u>	<u>\$ 82,103</u>	<u>\$ 76,005</u>

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 \$74.6 billion, an increase of \$5.6 billion in comparison with the prior year. This increase is primarily from 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 \$15.7 billion, and \$6.6 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$6.2 billion, and the remaining nonmajor governmental funds had committed fund balances of \$129 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 (\$45.0 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal (\$781 million), and amounts restricted for a variety of other purposes (\$231 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 \$22.3 billion, while total fund balance reached \$22.5 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 220 percent of total General Fund expenditures, while total fund balance represents 223 percent of that same amount.

The fund balance of the State's General Fund decreased by \$0.1 billion during the current fiscal year. Even with the decrease in petroleum related revenue, taxes remain the most significant form of revenue for the State.

General Fund revenues for FY 14 were \$8.8 billion, a decrease of \$1.5 billion compared to revenues of \$10.3 billion for FY 13. Revenues by source for FY 14 are compared to FY 13 in the following schedule (in millions):

Revenue Source	FY 14	Percent	FY 13	Percent
Taxes	\$ 2,954.3	33.5%	\$ 4,765.8	46.1%
Rents and Royalties	1,764.5	20.0%	1,949.6	18.8%
Interest and Investment Income/(Loss)	1,279.6	14.5%	766.7	7.4%
Federal	2,410.5	27.4%	2,392.4	23.1%
Miscellaneous	402.1	4.6%	471.4	4.6%
Total Revenue	\$ 8,811.0	100.0%	\$ 10,345.9	100.0%

The primary component of this revenue decrease is petroleum related income compared to the previous year. The State received \$1.9 billion less in taxes and royalties due to a decrease in wellhead value and changes in tax laws with the passage of the More Alaska Production Act (MAPA) allowing for an increase in tax credits.

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, 2014, this amounted to \$37.9 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$15.3 billion in dedicated mineral revenues; \$15.6 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 \$7.1 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2014, realized earnings (both gains and losses) have amounted to \$47.6 billion. Of this amount \$21.7 billion has been paid out for dividends, \$15.6 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$512 million has been paid out to the General Fund, and \$5.4 billion remains in the fund at June 30, 2014 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 \$975 million.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$2.0 billion increase in appropriations (or 11 percent) and can be briefly summarized as follows:

- \$1,182.9 million increase allocated to education
- \$456.5 million increase allocated to transportation
- \$260.0 million increase allocated to public protection
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, \$351.3 million was funded out of an increase in interagency receipts, which represent purchases between departments. The remaining increase was funded with money transferred from the Statutory Budget Reserve Fund (SBR) of \$1,920.4 million. Please see note 2 for additional information on the SBR.

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.

The difference between the final amended budget and actual expenditures was a \$6.7 billion decrease (or 34 percent) and can be briefly summarized as follows:

- \$1,495.9 million decrease from the final budget in tax revenue was realized
- \$5,099.0 million decrease from the final budget in federal grants in aid restricted revenue was realized
- \$4,375.8 million decrease in transportation expenditures due to the decrease in federal grants in aid

Capital Assets and Debt Administration

Capital assets. The State's net investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$7.1 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 14 totaled \$425 million for governmental activities and \$66 million for business-type activities.

Capital Assets

(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 14	FY 13	FY 14	FY 13	FY 14	FY 13
Land	\$ 936	\$ 912	\$ 31	\$ 31	\$ 967	\$ 943
Buildings	1,331	1,334	739	771	2,070	2,105
Equipment	461	453	33	36	494	489
Infrastructure	2,675	2,712	413	415	3,088	3,127
Construction in Progress	1,548	1,306	96	82	1,644	1,388
Total Capital Assets	\$ 6,951	\$ 6,717	\$ 1,312	\$ 1,335	\$ 8,263	\$ 8,052

In FY 14, increases were primarily in construction in progress with an increase of \$256 million with a decrease in infrastructure and buildings of \$39 million and \$35 million respectively. 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 \$1,597 million. Of this amount, \$692 million was general obligation bonds, and \$905 million of revenue bonds payable comprised of \$354 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$37 million of sport fishing revenue bonds, and \$514 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 \$514 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 14	FY 13 Restated	FY 14	FY 13	FY 14	FY 13 Restated
Revenue Bonds Payable	\$ 391	\$ 403	\$ 514	\$ 565	\$ 905	\$ 968
General Obligation Debt	692	743	-	-	692	743
Notes Payable	3	-	-	-	3	-
Capital Leases Payable	330	342	-	-	330	342
Unearned Revenues	333	397	1	1	334	398
Certificates of Participation	3	5	-	-	3	5
Compensated Absences	178	176	5	5	183	181
Claims and Judgments	142	111	-	-	142	111
Pollution Remediation	78	99	1	1	79	100
Other Noncurrent Liabilities	1	1	-	-	1	1
Total	\$ 2,151	\$ 2,277	\$ 521	\$ 572	\$ 2,672	\$ 2,849

The State's total debt decreased by \$177 million (6.21 percent) as a result of this year's operations. The decrease in debt is primarily due to a decrease in unearned revenue and advances as well as a decrease in outstanding revenue bonds and general obligation bonds.

Additional information regarding the restated balances for FY 13 and of the State's long-term debt can be found in Notes 3 and 6 respectively, in the notes to the basic financial statements.

Significant Facts

While the General Fund revenue decreased by \$1.5 billion over all, petroleum related tax and royalty revenue decreased by \$1.9 billion between FY 13 and FY14. The decrease is attributed to a decrease in the price per barrel and MAPA allowing for an increase in tax credits that oil companies are eligible to claim as well as to an increase in tax deductible lease expenditures. Changes to the tax law allowed credits to be used in FY 14 instead of FY 15 and a per barrel tax credit, based upon where the barrel originated, was created.

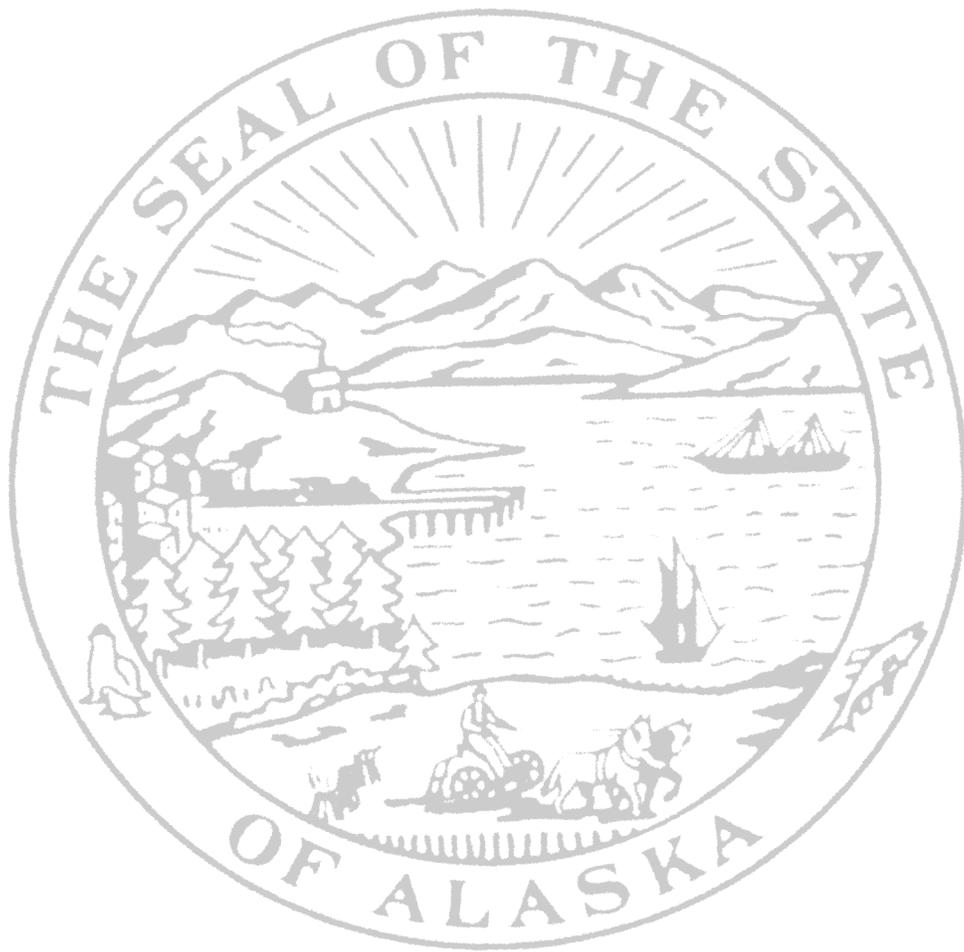
Another significant factor affecting revenues was an increase of \$3.0 billion in interest and investment income between FY 13 and FY 14. In FY 13 the Alaska Permanent Fund (APF) experienced investment income gain of \$4.4 billion, compared to a gain of \$7.0 billion in FY 14. The APF experienced a total fund return of 15.52 percent for FY 14. FY 2014's results are in the upper half of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent. Please see Note 1 for further information regarding this blended component unit and how to obtain the separately issued financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 14 was 6.5 percent, which is lower than the average unemployment rate for FY 13 of 6.7 percent. Alaska's five year average (2010 to 2014) was 7.2 percent. The United States unemployment rate for FY 14 was 6.8 percent.
- Total General Fund revenue for FY 14 was \$8.8 billion. Three sources of revenue accounted for 90 percent of total state revenue; petroleum, investment, and federal revenue. Petroleum accounted for about 48 percent, investment accounted for 15 percent and federal sources accounted for 27 percent of general fund revenue. The State's budget is primarily structured around petroleum and federal revenue. Federal funds are generally restricted for use for federal programs and therefore cannot be used to balance the State budget.
- FY 14 crude oil and natural gas liquids production in the State of Alaska for the North Slope and Cook Inlet areas averaged 547 thousand barrels per day. This is 3 thousand barrels per day more than in the prior year (a state wide effective increase of 1 percent) and can be attributed to an increase of production in the Cook Inlet area. FY 14 production, breaks the pattern of the last 25 years of overall decline and is the first increase in Alaska oil production since 2002 when two new fields, Alpine and Northstar, were added. Overall production decline started in 1988 when production peaked at 2.047 million barrels per day. The current level is now just 26.7 percent of the 1988 peak production.
- The State of Alaska FY 14 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 (\$900/resident) was paid to each qualifying Alaskan for a total of \$571 million.

Requests for Information

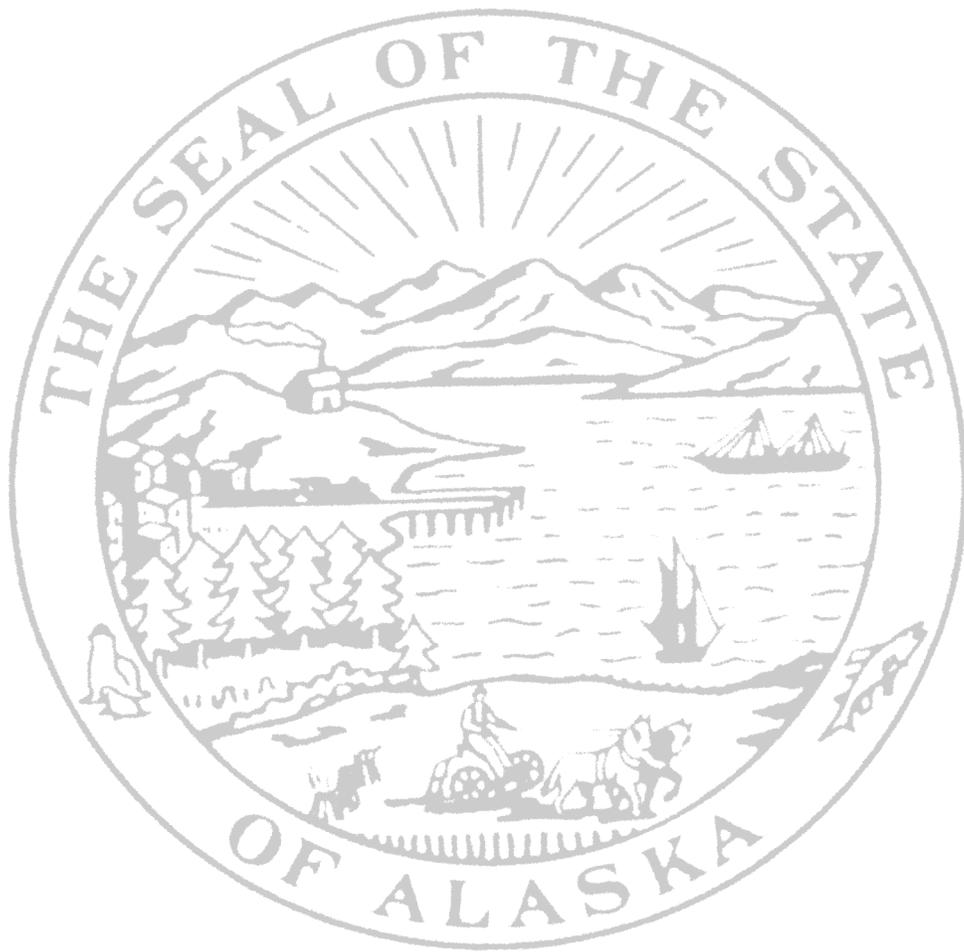
This financial report is designed to provide a general overview of the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Alaska, Division of Finance, P.O. Box 110204, Juneau, AK 99811-0204.



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Basic Financial Statements





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STATE OF ALASKA
Statement of Net Position
Government-wide
June 30, 2014
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 75,728,914	\$ 754,418	\$ 76,483,332	\$ 3,751,240
Accounts Receivable - Net	559,616	42,002	601,618	54,044
Interest and Dividends Receivable	143,640	16,317	159,957	33,657
Internal Balances	29,723	(29,723)	-	-
Due from Primary Government	-	-	-	77,152
Due from Component Units	6,501	-	6,501	6,526
Due from Other Governments	480,688	3,015	483,703	58,690
Loans, Notes, and Bonds Receivable	16,582	413,435	430,017	3,896,420
Inventories	21,425	-	21,425	16,219
Repossessed Property	-	539	539	487
Net Investment in Direct Financing Leases	-	-	-	232,235
Investments in Projects, Partnerships, or Corporations	-	2,787	2,787	39,527
Restricted Assets	10	108,648	108,658	1,511,865
Securities Lending Collateral	1,393,669	-	1,393,669	12,541
Other Assets	216,356	1,249	217,605	40,033
Capital Assets:				
Equipment, Net of Depreciation	461,081	32,308	493,389	247,630
Buildings, Net of Depreciation	1,331,262	739,597	2,070,859	931,416
Infrastructure, Net of Depreciation	2,675,283	413,429	3,088,712	821,514
Museum Collections	-	-	-	6,642
Land / Right-of-Way	935,778	31,202	966,980	113,061
Construction in Progress	1,547,872	95,921	1,643,793	875,512
Total Assets	<u>85,548,400</u>	<u>2,625,144</u>	<u>88,173,544</u>	<u>12,726,411</u>
DEFERRED OUTFLOWS OF RESOURCES				
Change in Fair Value-Interest Rate Swaps	-	-	-	137,175
Deferred Charge on Bond Refundings	6,339	-	6,339	21,267
Total Deferred Outflows of Resources	<u>6,339</u>	<u>-</u>	<u>6,339</u>	<u>158,442</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	1,699,735	7,065	1,706,800	187,467
Obligations Under Securities Lending	1,393,669	-	1,393,669	12,541
Due to Primary Government	-	-	-	78,732
Due to Component Units	27,414	-	27,414	11,297
Due to Other Governments	78,759	5,189	83,948	997
Interest Payable	14,862	6,413	21,275	28,237
Derivative Instruments	-	-	-	139,704
Bond Anticipation Note Payable	171,122	-	171,122	-
Other Current Liabilities	6	802	808	79,294
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	215,622	3,999	219,621	17,283
Unearned Revenue	32,851	1,471	34,322	23,221
Notes, Bonds, and Leases Payable	74,992	15,860	90,852	196,958
Other Noncurrent Liabilities	615	-	615	3,482
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	182,484	1,665	184,149	5,493
Unearned Revenue	299,848	-	299,848	6,147
Notes, Bonds, and Leases Payable	1,343,911	497,825	1,841,736	3,805,685
Other Long-term Debt	-	-	-	25,814
Other Noncurrent Liabilities	499	-	499	16,084
Total Liabilities	<u>5,536,389</u>	<u>540,289</u>	<u>6,076,678</u>	<u>4,638,436</u>
DEFERRED INFLOWS OF RESOURCES				
Accrued Pension Benefits	-	-	-	5,661
Grant Revenue	-	-	-	580,297
Original Issue Premium on Bond Refundings	-	-	-	3,667
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>589,625</u>
NET POSITION				
Net Investment in Capital Assets	6,205,097	868,403	7,073,500	2,008,669
Restricted for:				
Permanent Funds				
Nonexpendable	45,563,618	-	45,563,618	438,547
Expendable	13,448	-	13,448	137,760
Education	85,429	-	85,429	537,687
Development	81,014	-	81,014	452,735
Unemployment Compensation	-	380,636	380,636	-
Health and Human Services	16,549	445,813	462,362	-
Debt Service	31,830	17,659	49,489	636,566
Other Purposes	5,378	21,631	27,009	187,130
Unrestricted	28,015,987	350,713	28,366,700	3,257,698
Total Net Position	<u>\$ 80,018,350</u>	<u>\$ 2,084,855</u>	<u>\$ 82,103,205</u>	<u>\$ 7,656,792</u>

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

STATE OF ALASKA
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 1.02

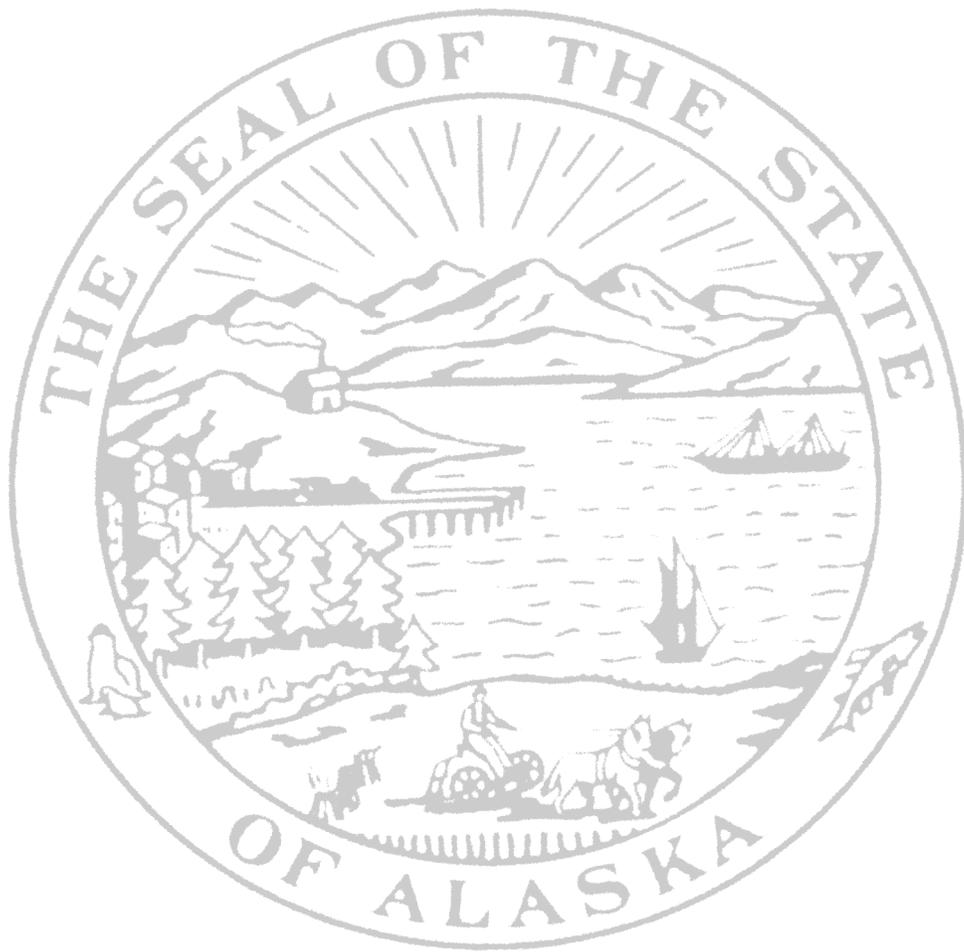
FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 553,636	\$ 12,442	\$ 21,655	\$ 251
Alaska Permanent Fund Dividend	570,590	-	-	-
Education	2,080,526	3,779	242,389	342
University	595,060	-	1,728	-
Health and Human Services	2,587,529	49,545	1,214,431	52,552
Law and Justice	270,022	12,771	21,993	161
Public Protection	804,823	170,439	88,449	5,996
Natural Resources	383,338	2,612,946	81,968	17,357
Development	1,123,531	2,723	65,704	2,835
Transportation	1,403,539	63,234	48,791	589,652
Intergovernmental Revenue Sharing	262,001	-	22,595	-
Debt Service	64,885	-	-	12,043
Total Governmental Activities	<u>10,699,480</u>	<u>2,927,879</u>	<u>1,809,703</u>	<u>681,189</u>
Business-type Activities:				
Loans	10,197	10,144	590	19,398
Unemployment Compensation	196,345	236,266	24,968	-
Airports	157,367	123,896	-	57,598
Development	5,149	1,851	-	3,355
Total Business-type Activities	<u>369,058</u>	<u>372,157</u>	<u>25,558</u>	<u>80,351</u>
Total Primary Government	<u>\$ 11,068,538</u>	<u>\$ 3,300,036</u>	<u>\$ 1,835,261</u>	<u>\$ 761,540</u>
Component Units:				
University of Alaska	\$ 849,475	\$ 183,963	\$ 225,092	\$ 186,297
Alaska Housing Finance Corporation	312,851	131,520	6,697	160,120
Alaska Industrial Development and Export Authority	100,716	51,646	128,019	14,584
Nonmajor Component Units	515,771	236,001	184,374	137,080
Total Component Units	<u>\$ 1,778,813</u>	<u>\$ 603,130</u>	<u>\$ 544,182</u>	<u>\$ 498,081</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
Other Revenues
Transfers - Internal Activity
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning of Year (restated)
Prior Period Adjustment
Net Position - 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 Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (519,288)	\$	\$ (519,288)	\$
(570,590)		(570,590)	
(1,834,016)		(1,834,016)	
(593,332)		(593,332)	
(1,271,001)		(1,271,001)	
(235,097)		(235,097)	
(539,939)		(539,939)	
2,328,933		2,328,933	
(1,052,269)		(1,052,269)	
(701,862)		(701,862)	
(239,406)		(239,406)	
(52,842)		(52,842)	
(5,280,709)		(5,280,709)	
	19,935	19,935	
	64,889	64,889	
	24,127	24,127	
	57	57	
	109,008	109,008	
(5,280,709)	109,008	(5,171,701)	
			(254,123)
			(14,514)
			93,533
			41,684
			(133,420)
2,175,990	-	2,175,990	10,233
252,538	-	252,538	-
414,613	-	414,613	-
128,076	-	128,076	-
2,631	-	2,631	-
8,236,307	(13,985)	8,222,322	242,997
32,261	-	32,261	-
22,578	-	22,578	-
-	-	-	851,887
27,842	4,703	32,545	5,197
(627)	627	-	-
11,292,209	(8,655)	11,283,554	1,110,314
6,011,500	100,353	6,111,853	976,894
74,018,080	1,984,502	76,002,582	6,723,808
(11,230)	-	(11,230)	(43,910)
\$ 80,018,350	\$ 2,084,855	\$ 82,103,205	\$ 7,656,792



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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 sub-funds 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 non-major governmental funds are presented by fund type in the Combining Fund Statements.



STATE OF ALASKA
Balance Sheet
Governmental Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 21,632,752	\$ 52,919,493	\$ 1,064,473	\$ 75,616,718
Accounts Receivable - Net	384,755	157,897	3,187	545,839
Interest and Dividends Receivable	455	143,150	35	143,640
Due from Other Funds	1,354,121	-	2,044	1,356,165
Due from Component Units	6,145	-	356	6,501
Due from Other Governments	471,649	-	6,197	477,846
Loans, Notes, and Bonds Receivable	16,517	-	65	16,582
Inventories	17,623	-	-	17,623
Securities Lending Collateral	-	1,393,669	-	1,393,669
Other Assets	202,329	-	29	202,358
Total Assets	\$ 24,086,346	\$ 54,614,209	\$ 1,076,386	\$ 79,776,941
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 858,122	\$ 740,064	\$ 6,825	\$ 1,605,011
Obligations Under Securities Lending	-	1,393,669	-	1,393,669
Due to Other Funds	81,386	1,266,763	42,014	1,390,163
Due to Component Units	19,081	-	8,333	27,414
Due to Other Governments	78,759	-	-	78,759
Unearned Revenue	330,675	-	2,024	332,699
Interest Payable	-	-	460	460
Bond Anticipation Note Payable	-	-	171,122	171,122
Other Liabilities	615	-	505	1,120
Total Liabilities	1,368,638	3,400,496	231,283	5,000,417
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	176,092	-	584	176,676
Total Deferred Inflows of Resources	176,092	-	584	176,676
FUND BALANCES				
Nonspendable:				
Inventory	17,623	-	-	17,623
Principal	-	45,002,388	561,230	45,563,618
Advances and Prepaid Items	202,330	-	-	202,330
Restricted for:				
Debt Service	10	-	42,848	42,858
Education	14,132	-	71,297	85,429
Health and Human Services	577	-	15,972	16,549
Development	39,022	-	41,992	81,014
Other Purposes	5,212	-	166	5,378
Committed to:				
Debt Service	2,520	-	-	2,520
Education	2,231,984	-	13,448	2,245,432
Health and Human Services	264,873	-	-	264,873
Public Protection	206,500	-	-	206,500
Permanent Fund	1,252,958	-	-	1,252,958
Development	2,388,650	-	115,943	2,504,593
Other Purposes	229,567	-	-	229,567
Assigned to:				
Permanent Fund	-	6,211,325	-	6,211,325
Unassigned:	15,685,658	-	(18,377)	15,667,281
Total Fund Balances	22,541,616	51,213,713	844,519	74,599,848
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 24,086,346	\$ 54,614,209	\$ 1,076,386	\$ 79,776,941

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 Position
Governmental Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds **\$ 74,599,848**

Amounts reported for governmental activities in the Statement of Net Position 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	271,348	
Buildings, net of depreciation	1,220,906	
Infrastructure, net of depreciation	2,675,283	
Land / right-of-way	935,778	
Construction in progress	<u>1,537,978</u>	
		6,641,293

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

Claims and judgments, net of federal reimbursement	2,842	
Net pension Asset (Note 7)	6,558	
Other post employment benefits asset (Note 7)	1,387	
Unamortized bond issuance cost	<u>9</u>	
		10,796

Deferred outflows of resources related to losses on bond refundings are not reported in the funds.

6,339

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 Position (See Statement 1.21).

407,872

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

176,676

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	(141,543)	
Compensated absences	(174,726)	
Pollution remediation	(78,200)	
Capital lease obligations	<u>(329,417)</u>	
		(723,886)

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	(1,086,186)	
Accrued interest payable	<u>(14,402)</u>	
		(1,100,588)

Net Position of Governmental Activities **\$ 80,018,350**

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, 2014
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,954,303	\$ -	\$ 19,545	\$ 2,973,848
Licenses and Permits	124,275	-	30,716	154,991
Charges for Services	184,031	-	626	184,657
Fines and Forfeitures	16,672	-	345	17,017
Rents and Royalties	1,764,480	779,448	19,498	2,563,426
Premiums and Contributions	19,555	-	5,186	24,741
Interest and Investment Income (Loss)	1,279,567	6,955,670	64,665	8,299,902
Federal Grants in Aid	2,410,524	-	49,057	2,459,581
Payments In from Component Units	22,578	-	-	22,578
Other Revenues	35,012	-	26,178	61,190
Total Revenues	<u>8,810,997</u>	<u>7,735,118</u>	<u>215,816</u>	<u>16,761,931</u>
EXPENDITURES				
Current:				
General Government	454,287	100,834	377	555,498
Alaska Permanent Fund Dividend	570,590	-	-	570,590
Education	2,049,927	-	68,957	2,118,884
University	551,205	-	43,572	594,777
Health and Human Services	2,595,082	-	4,714	2,599,796
Law and Justice	292,586	1,478	-	294,064
Public Protection	801,567	-	96	801,663
Natural Resources	327,738	5,664	67,815	401,217
Development	691,420	-	430,823	1,122,243
Transportation	1,474,679	-	46,011	1,520,690
Intergovernmental Revenue Sharing	263,408	-	-	263,408
Debt Service:				
Principal	31,050	-	53,315	84,365
Interest and Other Charges	18,503	-	50,705	69,208
Total Expenditures	<u>10,122,042</u>	<u>107,976</u>	<u>766,385</u>	<u>10,996,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,311,045)</u>	<u>7,627,142</u>	<u>(550,569)</u>	<u>5,765,528</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	13,842	-	-	13,842
Transfers In from Other Funds	1,307,978	-	79,408	1,387,386
Transfers (Out to) Other Funds	(92,564)	(1,266,763)	(44,713)	(1,404,040)
Total Other Financing Sources and Uses	<u>1,229,256</u>	<u>(1,266,763)</u>	<u>34,695</u>	<u>(2,812)</u>
Net Change in Fund Balances	<u>(81,789)</u>	<u>6,360,379</u>	<u>(515,874)</u>	<u>5,762,716</u>
Fund Balances - Beginning of Year	22,623,405	44,853,334	1,523,736	69,000,475
Prior Period Adjustment	-	-	(163,343)	(163,343)
Fund Balances - End of Year	<u>\$ 22,541,616</u>	<u>\$ 51,213,713</u>	<u>\$ 844,519</u>	<u>\$ 74,599,848</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, 2014
(Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 5,762,716

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	618,946	
Depreciation expense	<u>(393,946)</u>	225,000

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 Position (Statement 1.22).

Net current year revenue		7,486
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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. (50,022)

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

Accrued interest	(2,868)	
Repayment of bond principal	65,923	
Amortization of bond issuance cost	<u>(146)</u>	62,909

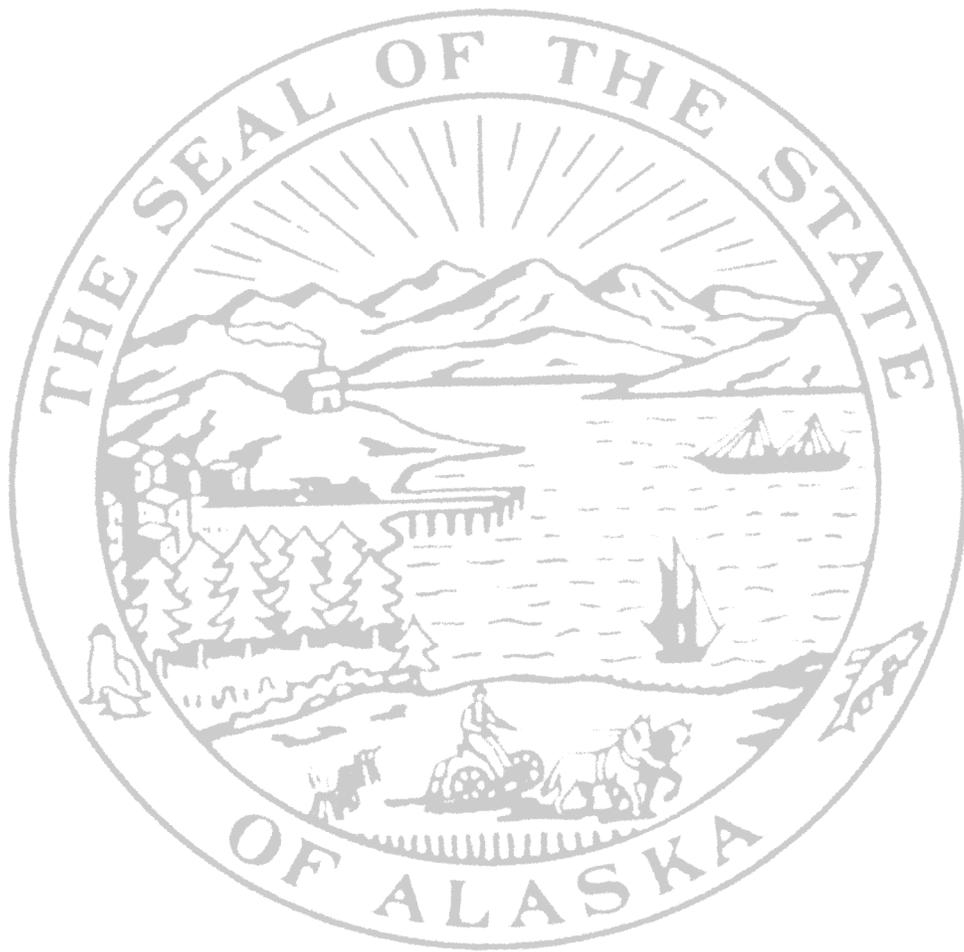
Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. (13,842)

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

Claims and judgments	(32,163)	
Compensated absences	(2,072)	
Pollution remediation	21,085	
Capital lease payments	26,190	
Pension obligation	3,611	
Other post employment benefits	<u>602</u>	17,253

Change in Net Position of Governmental Activities \$ 6,011,500

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 37.15.420, AS 37.15.430 – 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 international airports.

NONMAJOR FUNDS

Non-major proprietary funds are presented by fund type in the Combining Fund Statements.



STATE OF ALASKA
Statement of Net Position
Proprietary Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 81,723	\$ 672,695	\$ 754,418	\$ 112,206
Accounts Receivable - Net	15,324	26,678	42,002	385
Interest and Dividends Receivable	-	6,340	6,340	-
Due from Other Funds	53	921	974	6,373
Due from Other Governments	2,591	424	3,015	-
Loans, Notes, and Bonds Receivable	-	32,195	32,195	-
Inventories	-	-	-	3,802
Restricted Assets	957	-	957	-
Other Current Assets	-	-	-	6,044
Total Current Assets	<u>100,648</u>	<u>739,253</u>	<u>839,901</u>	<u>128,810</u>
Noncurrent Assets:				
Interest and Dividends Receivable	-	9,977	9,977	-
Loans, Notes, and Bonds Receivable	-	381,240	381,240	-
Repossessed Property	-	539	539	-
Investment in Projects, Partnerships, or Corporations	-	2,787	2,787	-
Restricted Assets	107,691	-	107,691	-
Other Noncurrent Assets	-	1,249	1,249	-
Capital Assets:				
Equipment, Net of Depreciation	32,308	-	32,308	189,733
Buildings, Net of Depreciation	739,597	-	739,597	110,356
Infrastructure, Net of Depreciation	413,429	-	413,429	-
Land / Right-of-Way	31,202	-	31,202	-
Construction in Progress	35,961	59,960	95,921	9,894
Total Noncurrent Assets	<u>1,360,188</u>	<u>455,752</u>	<u>1,815,940</u>	<u>309,983</u>
Total Assets	<u>1,460,836</u>	<u>1,195,005</u>	<u>2,655,841</u>	<u>438,793</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	2,034	5,031	7,065	22,721
Due to Other Funds	28,650	2,047	30,697	1,263
Due to Other Governments	-	5,189	5,189	-
Interest Payable	6,413	-	6,413	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	3,966	33	3,999	2,818
Unearned Revenue	1,471	-	1,471	-
Notes, Bonds, and Leases Payable	15,860	-	15,860	629
Other Current Liabilities	-	802	802	-
Total Current Liabilities	<u>58,394</u>	<u>13,102</u>	<u>71,496</u>	<u>27,431</u>
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	1,469	196	1,665	819
Notes, Bonds, and Leases Payable	497,825	-	497,825	2,671
Total Noncurrent Liabilities	<u>499,294</u>	<u>196</u>	<u>499,490</u>	<u>3,490</u>
Total Liabilities	<u>557,688</u>	<u>13,298</u>	<u>570,986</u>	<u>30,921</u>
NET POSITION				
Net Investment in Capital Assets	808,443	59,960	868,403	306,683
Restricted for:				
Unemployment Compensation	-	380,636	380,636	-
Health and Human Services	-	445,813	445,813	-
Debt Service	17,659	-	17,659	-
Other Purposes	21,411	220	21,631	-
Unrestricted	55,635	295,078	350,713	101,189
Total Net Position	<u>\$ 903,148</u>	<u>\$ 1,181,707</u>	<u>\$ 2,084,855</u>	<u>\$ 407,872</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 Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 1.22

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ 236,266	\$ 236,266	\$ 124,675
Charges for Goods and Services	122,434	1,454	123,888	111,938
Interest and Investment Income	-	9,039	9,039	-
Allowance for Uncollectible Interest	-	210	210	-
Fines and Forfeitures	-	31	31	-
Federal Reimbursements	-	24,968	24,968	-
Other Operating Revenues	1,462	-	1,462	594
Total Operating Revenues	<u>123,896</u>	<u>271,968</u>	<u>395,864</u>	<u>237,207</u>
OPERATING EXPENSES				
Benefits	-	196,345	196,345	129,947
Operating	84,691	8,385	93,076	103,031
Depreciation	66,060	20	66,080	30,835
Provision for Loan Losses and Forgiveness	-	519	519	-
Total Operating Expenses	<u>150,751</u>	<u>205,269</u>	<u>356,020</u>	<u>263,813</u>
Operating Income (Loss)	<u>(26,855)</u>	<u>66,699</u>	<u>39,844</u>	<u>(26,606)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	843	9,436	10,279	253
Interest and Investment Expense	(24,260)	(5)	(24,265)	(1)
Gain (Loss) on Disposal of Capital Assets	692	(18)	674	131
Other Nonoperating Revenues (Expenses)	(5,913)	(1,244)	(7,157)	192
Total Nonoperating Revenues (Expenses)	<u>(28,638)</u>	<u>8,169</u>	<u>(20,469)</u>	<u>575</u>
Income Before Capital Contributions and Transfers	<u>(55,493)</u>	<u>74,868</u>	<u>19,375</u>	<u>(26,031)</u>
Capital Contributions	57,598	22,753	80,351	17,490
Transfers In from Other Funds	4,335	39	4,374	16,027
Transfers (Out to) Other Funds	-	(3,747)	(3,747)	-
Change in Net Position	<u>6,440</u>	<u>93,913</u>	<u>100,353</u>	<u>7,486</u>
Total Net Position - Beginning of Year (restated)	<u>896,708</u>	<u>1,087,794</u>	<u>1,984,502</u>	<u>400,386</u>
Total Net Position - End of Year	<u>\$ 903,148</u>	<u>\$ 1,181,707</u>	<u>\$ 2,084,855</u>	<u>\$ 407,872</u>

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

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 1.23

	Business-type Activities			Governmental
	Enterprise Funds			Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ -	\$ 24,968	\$ 24,968	\$ 54
Receipts from Customers	120,285	324	120,609	247
Receipts for Interfund Services Provided	-	47	47	114,590
Receipt of Principal from Loan Recipients	-	48,992	48,992	-
Receipt of Interest and Fees from Loan Recipients	-	11,234	11,234	-
Receipts from Insured	-	236,828	236,828	124,707
Payments to Employees	(46,566)	(1,082)	(47,648)	(37,871)
Payments to Suppliers	(38,703)	(2,213)	(40,916)	(59,687)
Payments to Other Governments	-	(499)	(499)	-
Payments to Loan Recipients	-	(64,039)	(64,039)	-
Claims Paid	-	(192,763)	(192,763)	(131,642)
Payments for Interfund Services Used	(2,505)	(4,695)	(7,200)	(3,827)
Other Receipts	-	62	62	594
Other Payments	-	(108)	(108)	(859)
Net Cash Provided (Used) by Operating Activities	<u>32,511</u>	<u>57,056</u>	<u>89,567</u>	<u>6,306</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	(8,353)	(8,353)	-
Operating Subsidies and Transfers In from Other Funds	4,335	1,488	5,823	16,027
Federal Grants	(5,913)	21,916	16,003	-
Proceeds from Issuance of Short-term Debt	-	2,971	2,971	-
Payments on Short-term Debt	-	(2,971)	(2,971)	-
Interest and Fees Paid on Borrowing	-	(5)	(5)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,578)</u>	<u>15,046</u>	<u>13,468</u>	<u>16,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	349	349	-
Proceeds from Sale of Capital Assets	-	(18)	(18)	2,143
Acquisition and Construction of Capital Assets	(39,613)	(3,563)	(43,176)	(24,748)
Proceeds from Capital Debt	-	-	-	3,300
Principal Paid on Capital Debt	(50,040)	-	(50,040)	-
Interest and Fees Paid on Capital Debt	(25,812)	-	(25,812)	-
Federal Grants	58,569	3,214	61,783	-
Other Receipts (Payments)	(15,211)	-	(15,211)	181
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(72,107)</u>	<u>(18)</u>	<u>(72,125)</u>	<u>(19,124)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	255,067	4	255,071	-
Purchase of Investments	(254,223)	-	(254,223)	-
Interest and Dividends on Investments	-	9,432	9,432	253
Change in Restricted Cash and Investments	58,728	-	58,728	-
Net Cash Provided (Used) by Investing Activities	<u>59,572</u>	<u>9,436</u>	<u>69,008</u>	<u>253</u>
Net Increase (Decrease) in Cash	18,398	81,520	99,918	3,462
Cash and Cash Equivalents - Beginning of Year	37,641	591,175	628,816	108,744
Cash and Cash Equivalents - End of Year	<u>\$ 56,039</u>	<u>\$ 672,695</u>	<u>\$ 728,734</u>	<u>\$ 112,206</u>

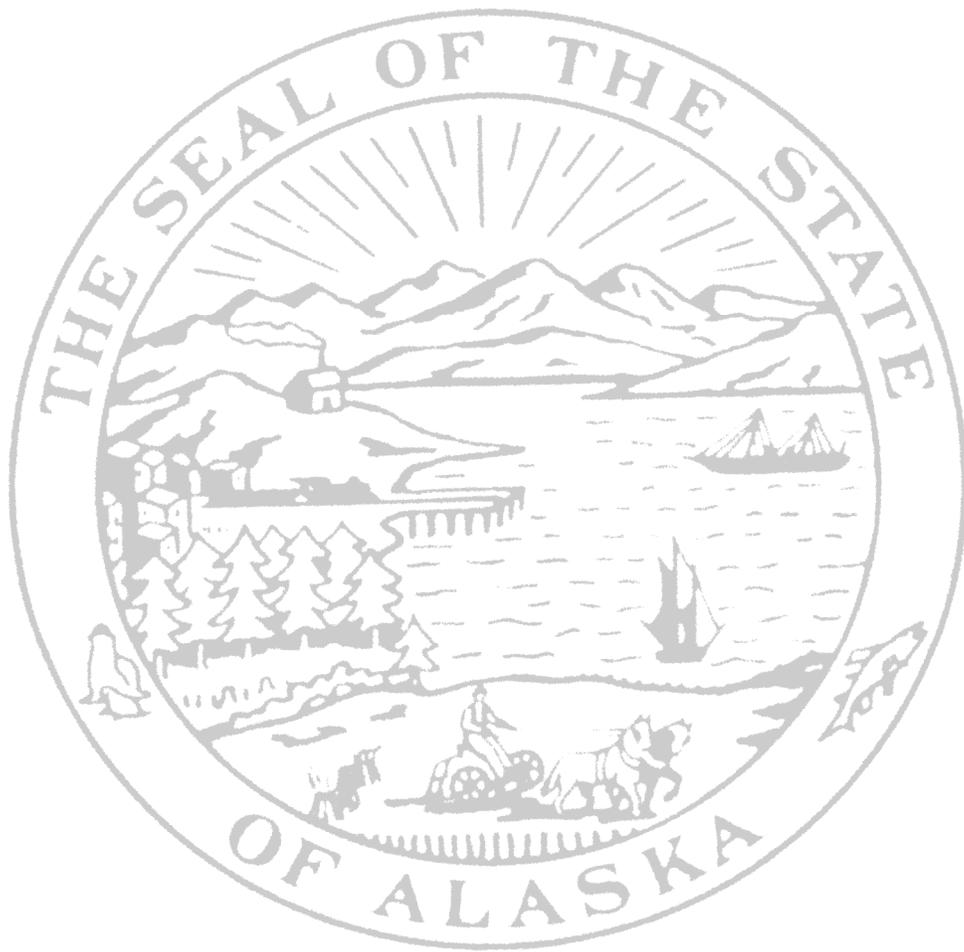
The notes to the financial statements are an integral part of this statement.

This statement continued on next page.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(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)	\$ (26,855)	\$ 66,699	\$ 39,844	\$ (26,606)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	66,060	20	66,080	30,835
Provision for Loan Losses and Forgiveness	-	2	2	-
Other Reconciling Items	(2,505)	15	(2,490)	-
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	(3,657)	535	(3,122)	(440)
Due from Other Funds	-	(167)	(167)	2,831
Due from Other Governments	-	8	8	-
Loans, Notes, and Bonds Receivable - Net	-	(13,791)	(13,791)	-
Reposessed Property	-	75	75	-
Interest and Dividends Receivable - Net	-	697	697	-
Inventories	-	-	-	(107)
Other Assets	-	37	37	2,564
Due to Other Funds	-	384	384	261
Due to Other Governments	-	2,602	2,602	-
Accounts Payable and Accrued Liabilities	(293)	(60)	(353)	(3,041)
Other Liabilities	(239)	-	(239)	9
Net Cash Provided (Used) by Operating Activities	<u>\$ 32,511</u>	<u>\$ 57,056</u>	<u>\$ 89,567</u>	<u>\$ 6,306</u>
Reconciliation of Cash to the Statement of Net Position:				
Total Cash and Investments per the Statement of Net Position	\$ 81,723	\$ 672,695	\$ 754,418	\$ 112,206
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(25,684)	-	(25,684)	-
Cash, End of Year	<u>\$ 56,039</u>	<u>\$ 672,695</u>	<u>\$ 728,734</u>	<u>\$ 112,206</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	-	218	218	17,490
Transfers (Out to) Other Funds (Accrual)	-	(64)	(64)	-



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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 Position
Fiduciary Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 820,123	\$ 327,804
Investments:		222,942
Fixed Income	2,710,526	
Domestic Equities	6,743,316	
International Equities	5,217,756	
Private Equity Pool	1,727,152	
Absolute Return Pool	820,710	
Real Assets	3,558,012	
Collective Investment Funds	1,739,240	
Pooled Investment Funds	2,532,772	
Synthetic Investment Contracts	544,748	
Deposits in Transit	224	
Investment Loss Trust Fund Assets	1,935	-
Accounts Receivable - Net	88	7
Contributions Receivable	43,350	-
Interest and Dividends Receivable	12	-
Due from Other Funds	26,638	3,854
Other Assets	7,429	-
Total Assets	<u>26,494,031</u>	<u>554,607</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	25,938	4,694
Forfeiture Payable to Employer	23,610	-
Claims Payable	94,437	-
Trust Deposits Payable	-	542,794
Due to Other Funds	6,273	7,119
Total Liabilities	<u>150,258</u>	<u>554,607</u>
NET POSITION		
Held in Trust for:		
Pension Benefits	11,679,591	-
Postemployment Benefits	9,827,160	-
Individuals, Organizations, and Other Governments	4,837,022	-
Total Net Position	<u>\$ 26,343,773</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 Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 696,005
Member	499,815
Other	633,868
Total Premiums and Contributions	<u>1,829,688</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	3,761,635
Interest	82,489
Dividends	284,670
Total Investment Income	<u>4,128,794</u>
Less Investment Expense	<u>58,962</u>
Net Investment Income	<u>4,069,832</u>
Other Additions	
Other	<u>23,916</u>
Total Additions	<u>5,923,436</u>
DEDUCTIONS	
Benefits Paid	1,880,804
Refunds of Premiums and Contributions	38,242
Administrative Expenses	41,700
Total Deductions	<u>1,960,746</u>
Net Increase (Decrease) in Net Position Held in Trust for:	
Pension Benefits	1,553,242
Postemployment Benefits	1,599,397
Individuals, Organizations, and Other Governments	810,051
Net Position - Beginning of the Year	<u>22,381,083</u>
Net Position - End of the Year	<u>\$ 26,343,773</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.

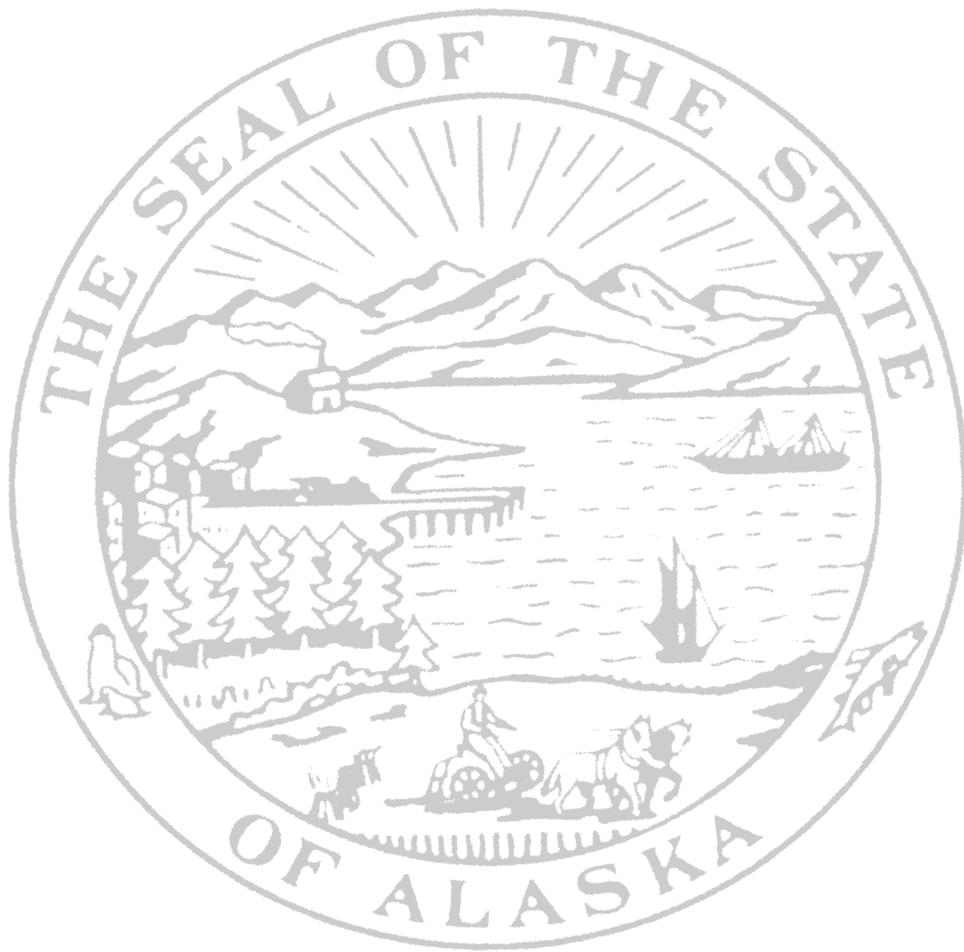
MAJOR COMPONENT UNITS

- **University of Alaska** – 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

Non-major component units are presented in the Combining Fund Statements.





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STATE OF ALASKA
Statement of Net Position
Component Units
June 30, 2014
(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	\$ 167,355	\$ 671,961	\$ 618,332	\$ 2,293,592	\$ 3,751,240
Accounts Receivable - Net	31,432	-	-	22,612	54,044
Interest and Dividends Receivable	548	12,357	4,342	16,410	33,657
Due from Primary Government	19,788	23,358	9	33,997	77,152
Due from Component Units	71	-	6,455	-	6,526
Due from Other Governments	35,561	-	14	23,115	58,690
Loans, Notes, and Bonds Receivable	11,343	2,536,596	380,285	968,196	3,896,420
Inventories	5,892	-	-	10,327	16,219
Reposessed Property	-	-	487	-	487
Net Investment in Direct Financing Leases	-	44,664	187,571	-	232,235
Investments in Projects, Partnerships, or Corporations	-	-	39,527	-	39,527
Restricted Assets	446,940	468,265	154,221	442,439	1,511,865
Securities Lending Collateral	-	-	-	12,541	12,541
Other Assets	2,821	21,175	1,087	14,950	40,033
Capital Assets:					
Equipment, Net of Depreciation	67,153	823	-	179,654	247,630
Buildings, Net of Depreciation	745,150	98,670	53,591	34,005	931,416
Infrastructure, Net of Depreciation	60,852	-	28,386	732,276	821,514
Museum Collections	6,642	-	-	-	6,642
Land / Right-of-Way	39,376	19,687	3,165	50,833	113,061
Construction in Progress	528,128	1,068	9,635	336,681	875,512
Total Assets	<u>2,169,052</u>	<u>3,898,624</u>	<u>1,487,107</u>	<u>5,171,628</u>	<u>12,726,411</u>
DEFERRED OUTFLOWS OF RESOURCES					
Change in Fair Value-Interest Rate Swaps	-	137,175	-	-	137,175
Deferred Charge on Bond Refundings	1,369	19,404	363	131	21,267
Total Deferred Outflows of Resources	<u>1,369</u>	<u>156,579</u>	<u>363</u>	<u>131</u>	<u>158,442</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	62,076	14,957	3,956	106,478	187,467
Obligations Under Securities Lending	-	-	-	12,541	12,541
Due to Primary Government	-	662	55,561	22,509	78,732
Due to Component Units	-	-	-	11,297	11,297
Due to Other Governments	-	-	-	997	997
Interest Payable	-	10,147	2,832	15,258	28,237
Derivative Instruments	-	139,704	-	-	139,704
Other Current Liabilities	13,939	64,993	362	-	79,294
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	12,994	2,113	-	2,176	17,283
Unearned Revenue	18,464	-	-	4,757	23,221
Notes, Bonds, and Leases Payable	10,870	45,315	10,570	130,203	196,958
Other Noncurrent Liabilities	-	-	-	3,482	3,482
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	3,172	-	2,321	5,493
Unearned Revenue	-	-	-	6,147	6,147
Notes, Bonds, and Leases Payable	156,423	2,263,395	134,655	1,251,212	3,805,685
Other Long-term Debt	25,814	-	-	-	25,814
Other Noncurrent Liabilities	5,793	837	6,459	2,995	16,084
Total Liabilities	<u>306,373</u>	<u>2,545,295</u>	<u>214,395</u>	<u>1,572,373</u>	<u>4,638,436</u>
DEFERRED INFLOWS OF RESOURCES					
Accrued Pension Benefits	-	-	-	5,661	5,661
Grant Revenue	-	-	-	580,297	580,297
Original Issue Premium on Bond Refundings	-	-	2,313	1,354	3,667
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>2,313</u>	<u>587,312</u>	<u>589,625</u>
NET POSITION					
Net Investment in Capital Assets	1,255,355	120,248	94,777	538,289	2,008,669
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	438,547	438,547
Expendable	-	-	-	137,760	137,760
Education	399,760	-	-	137,927	537,687
Development	-	-	-	452,735	452,735
Debt Service	7,102	568,187	-	61,277	636,566
Other Purposes	-	159,214	1,511	26,405	187,130
Unrestricted	201,831	662,259	1,174,474	1,219,134	3,257,698
Total Net Position	<u>\$ 1,864,048</u>	<u>\$ 1,509,908</u>	<u>\$ 1,270,762</u>	<u>\$ 3,012,074</u>	<u>\$ 7,656,792</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, 2014
(Stated in Thousands)

STATEMENT 1.42

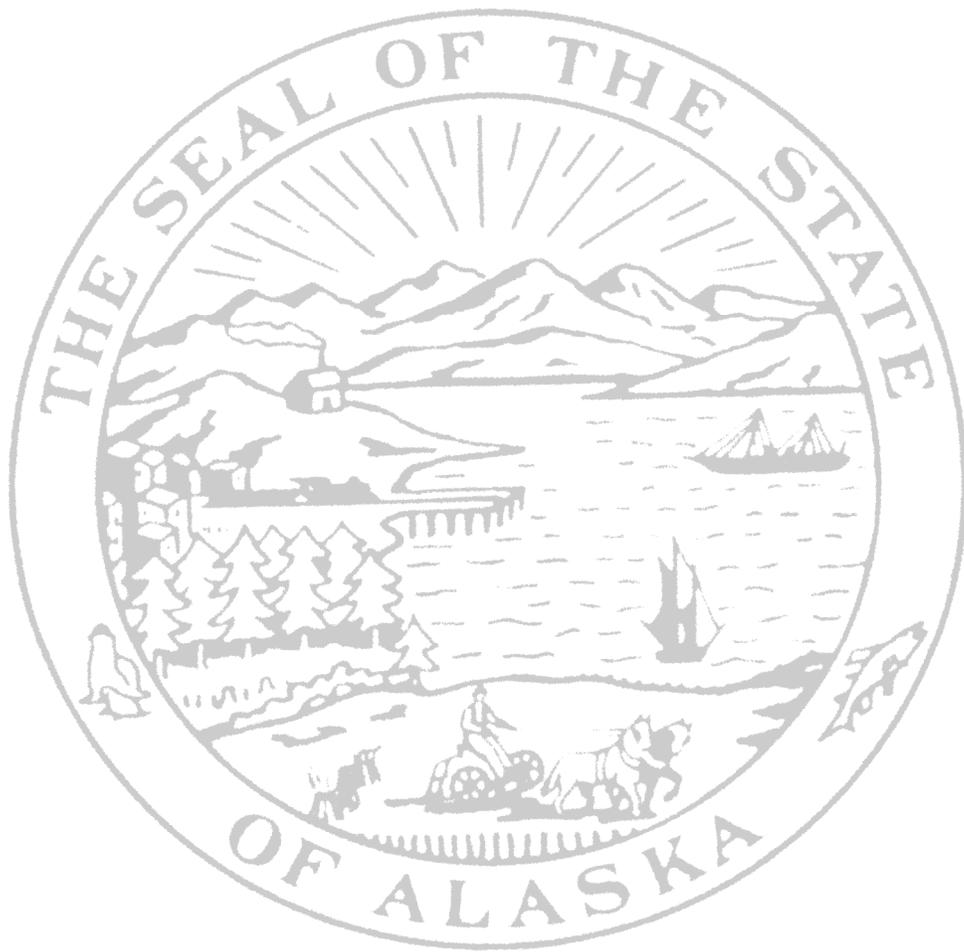
FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
Component Units:				
University of Alaska	\$ 849,475	\$ 183,963	\$ 225,092	\$ 186,297
Alaska Housing Finance Corporation	312,851	131,520	6,697	160,120
Alaska Industrial Development and Export Authority	100,716	51,646	128,019	14,584
Nonmajor Component Units	515,771	236,001	184,374	137,080
Total Component Units	\$ 1,778,813	\$ 603,130	\$ 544,182	\$ 498,081

General Revenues:
Taxes
Severance Taxes
Interest and Investment Income (Loss)
Payments In from Primary Government
Other Revenues
Total General Revenues
Change in Net Position
Net Position - Beginning of Year (restated)
Prior Period Adjustment
Net Position - End of Year

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

STATEMENT 1.42

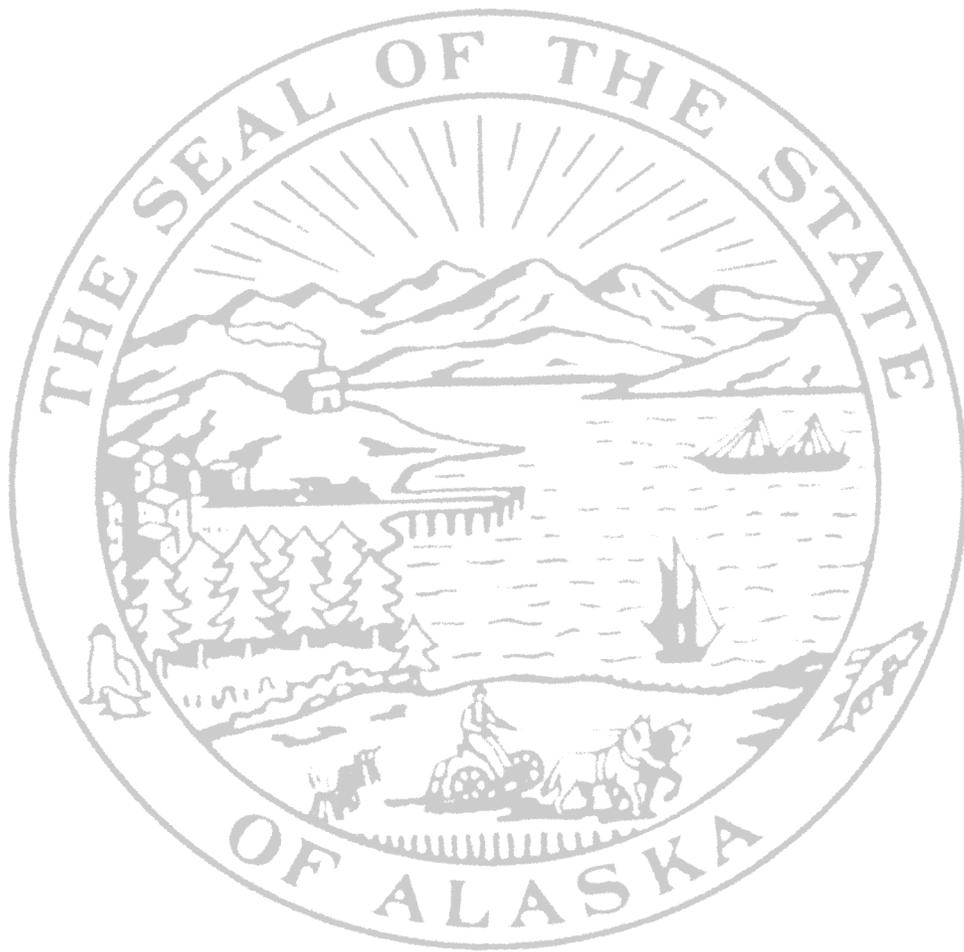
Net (Expense) Revenue and Changes in Net Position				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
\$ (254,123)	\$	\$	\$	\$ (254,123)
	(14,514)			(14,514)
		93,533		93,533
			41,684	41,684
<u>(254,123)</u>	<u>(14,514)</u>	<u>93,533</u>	<u>41,684</u>	<u>(133,420)</u>
-	-	-	10,233	10,233
44,878	9,019	12,276	176,824	242,997
418,760	-	8	433,119	851,887
4,280	730	-	187	5,197
<u>467,918</u>	<u>9,749</u>	<u>12,284</u>	<u>620,363</u>	<u>1,110,314</u>
213,795	(4,765)	105,817	662,047	976,894
1,694,163	1,514,673	1,164,945	2,350,027	6,723,808
<u>(43,910)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,910)</u>
<u>\$ 1,864,048</u>	<u>\$ 1,509,908</u>	<u>\$ 1,270,762</u>	<u>\$ 3,012,074</u>	<u>\$ 7,656,792</u>



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Notes to the Basic Financial Statements

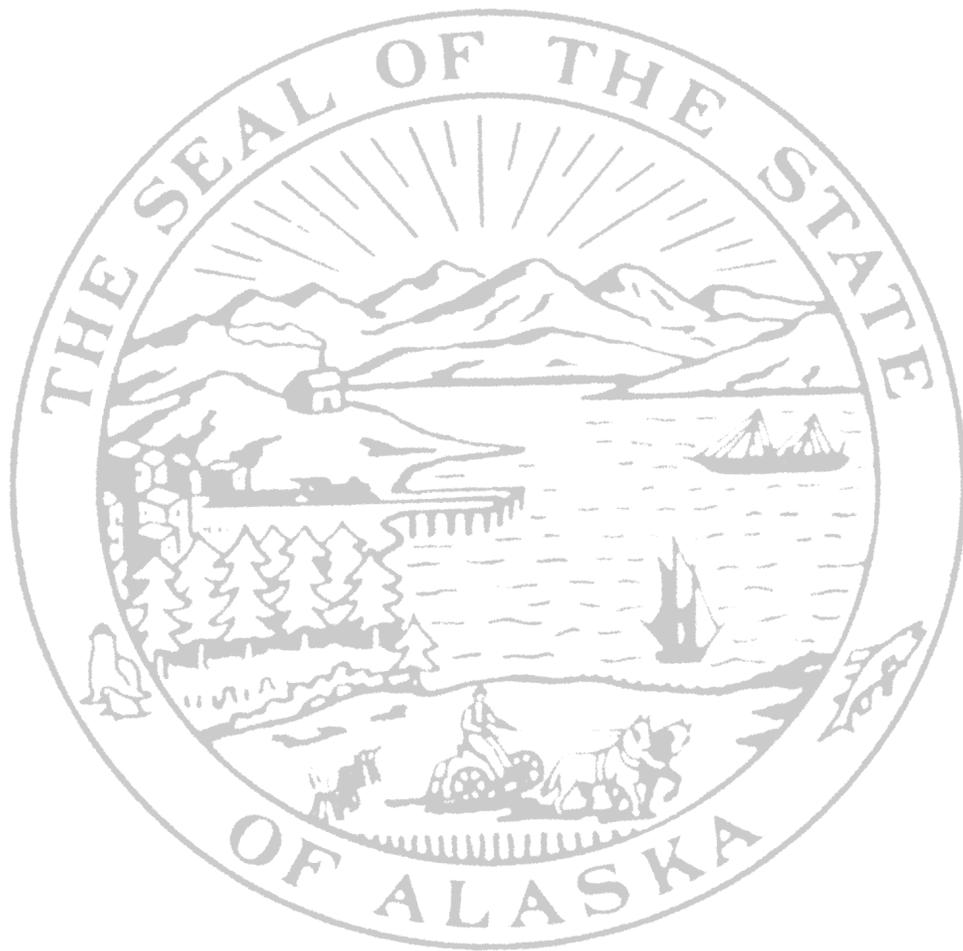




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**STATE OF ALASKA
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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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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. Fiduciary component units are reported in the fiduciary section of the fund financial statements and are not included in the government-wide financial statements. Individual component unit financial reports may also be obtained from these organizations as indicated.

BLENDED COMPONENT UNITS

The **Alaska Housing Capital Corporation (AHCC)** is a public corporation and government instrumentality of, but having a legal existence independent and separate from, the State. AHCC is a subsidiary of, but separate and apart from, the Alaska Housing Finance Corporation (AHFC). The commissioners of the departments of Revenue; Commerce, Community, and Economic Development; 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, Alaska Statute (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 69 percent of the total cash and investments and 62 percent of total government-wide net position 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, 820 East 15th Avenue, 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 position 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.

DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Corporation** (AAC) is a public corporation of the State located for administrative purposes within the Department of Military and Veterans Affairs (AS 26.27.010). 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 Gasline Development Corporation** (AGDC) is a public corporation and governmental instrumentality within the Department of Commerce, Community, and Economic Development, but having a legal existence independent and separate from the State (AS 31.25.010). Currently, the commissioners of the departments of Commerce, Community, and Economic Development; and Labor and Workforce Development, and five independent public members appointed by the Governor and confirmed by the legislature comprise the AGDC board of directors. The Legislature appropriates the budget for AGDC for the purpose of planning, constructing, and financing in-state natural gas pipeline projects. The corporation has the power to borrow money and issue bonds on its own behalf. AGDC financial statements may be obtained from the Alaska Gasline Development Corporation, 3201 C Street, Suite, 200, 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 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, P.O. Box 110505, Juneau, AK 99811-0505.

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.

FIDUCIARY COMPONENT UNITS

The **Public Employees' Retirement System** (PERS) was established by 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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

The **Teachers' Retirement System** 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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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 and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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 NGMRS and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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. The ARMB is the fiduciary of SBS and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor. The financial statements for SBS are for the seventeen months ended June 30, 2014.

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. The ARMB is the fiduciary of DCP and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor. The financial statements for DCP are for the eighteen-month fiscal year ended June 30, 2014.

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.

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 Position 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 Position presents the reporting entity's nonfiduciary assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other borrowing that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** consists of net position that does not meet the definition of the two preceding categories. The unrestricted net position often is designated to indicate management does not consider them available for general

operations (see note 1.F.). The unrestricted net position 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 is 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 measurement 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). When an asset is recorded in governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. 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.

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 whose fiscal year ends on December 31.

F. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION / 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, international, and emerging markets equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Frontier 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, 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, the Short-term Fixed Income Pool, Short-term Treasury Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2014, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool, the Short-term Liquidity 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 does 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 Position 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, library reserve, 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, 2014, 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 Position, is \$178.4 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.

DEFERRED OUTFLOW/INFLOW OF RESOURCES

A deferred outflow of resources represents a consumption of net position applicable to a future reporting period and therefore is not recognized as a current year expense. A deferred inflow of resources is an acquisition of net position applicable to a future reporting period and therefore is not recognized as current year revenue.

NET POSITION / FUND BALANCE

Fund assets and deferred outflow less liabilities and deferred inflows is "net position" 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 are 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. The Alaska Legislature is the body authorized to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign the funds in the Earnings Reserve Account, a component of the Alaska Permanent Fund.
- 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, 2014 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Inventory	\$ 17,623	\$ -	\$ -	\$ -	\$ -
Principal	-	45,563,618	-	-	-
Advances and Prepaid Items	202,330	-	-	-	-
Total Nonspendable	<u>219,953</u>	<u>45,563,618</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted:					
Debt Service	10	-	-	42,848	-
Education	14,132	-	8,042	-	63,255
Health & Human Services	577	-	15,972	-	-
Development	39,022	-	34,682	-	7,310
Other Purposes	5,212	-	166	-	-
Total Restricted	<u>58,953</u>	<u>-</u>	<u>58,862</u>	<u>42,848</u>	<u>70,565</u>
Committed					
Debt Service	2,520	-	-	-	-
Education					
School Foundation Support	1,118,122	-	-	-	-
Pupil Transportation	71,370	-	-	-	-
Education Services	790,570	-	-	-	-
Construction & Maintenance	251,922	-	-	-	-
Public School Program Support	-	13,448	-	-	-
Health & Human Services	264,873	-	-	-	-
Public Protection	206,500	-	-	-	-
Permanent Fund					
Dividend Payments	1,252,958	-	-	-	-
Development					
Natural Resources	237,943	-	-	-	-
Transportation	1,217,858	-	-	-	-
Other	932,849	-	115,943	-	-
Other Purposes	229,567	-	-	-	-
Total Committed	<u>6,577,052</u>	<u>13,448</u>	<u>115,943</u>	<u>-</u>	<u>-</u>
Assigned					
Permanent Fund					
Assigned for Future Appropriations					
Realized Earnings	-	5,236,644	-	-	-
Unrealized Appreciation on Invested Assets	-	974,681	-	-	-
Total Assigned	<u>-</u>	<u>6,211,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>15,685,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,377)</u>
Total Fund Balance	<u>\$22,541,616</u>	<u>\$51,788,391</u>	<u>\$ 174,805</u>	<u>\$42,848</u>	<u>\$ 52,188</u>

Total fund balance for the Capital Project Funds have a deficit unassigned fund balance due to a prior period adjustment recording short term Bond Anticipation Notes sold for the purpose of transportation projects in the 2012 Transportation Project Fund. Additional information on the prior period adjustment can be found in Note 3. Additional Information on the short-term debt can be found in Note 6.

Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$46.7 billion of restricted net position for the primary government, of which \$24.0 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 within restricted, committed or assigned fund balance based upon the resources that eventually will fund those grants or contracts, and do not constitute expenditures or liabilities. See Note 12 for additional information on encumbrances within the governmental funds. 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 14, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental appropriations for the FY 14 operating budget were \$71.6 million, of which \$48.6 million was appropriated from the General Fund, and \$23.0 million was appropriated from other funds. In addition, the total supplemental appropriations for the FY 14 capital budget were \$93.0 million, of which \$91.0 million was appropriated from the General Fund, and \$2.0 million was appropriated from other 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 14, the Office of Management and Budget estimated the limit to be approximately \$10.1 billion. The FY 14 budget passed by the legislature after vetoes was \$7.1 billion (unrestricted General Fund revenues only), or \$3.0 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, FY 12, FY 13, or FY 14.

STATUTORY BUDGET RESERVE FUND

The Statutory Budget Reserve Fund (SBRF) was created through Alaska Statute 37.05.540. Once the full debt of CBRF was repaid in FY 10, the legislature began to make appropriated transfers from the General Fund into the SBRF in addition to directing any year-end available fund balance of the General Fund to be transferred to the SBRF. As the balance of this fund continued to increase so did the political and public interest; therefore, the presentation of SBRF was added to the Combining Balance Sheet for the General Fund for Statements 3.01 and 3.02.

A legislative transfer from the General Fund to SBRF totaling \$250 million was made at the beginning of FY 13 in accordance with SLA 2012, Chapter 15, Section 32(b). Section 32(c) states that if the unrestricted amount available for appropriation in the fiscal year ending June 30, 2013, is insufficient to cover General Fund appropriations, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund is appropriated from the SBRF to the General Fund. For FY 13, this resulted in a year-end transfer from the SBRF to the General Fund for \$776 million, for a net impact to the SBRF of \$526 million.

SLA 2013, Chapter 14, Section 34, outlines the appropriation to the General Fund giving authority to take from the SBRF if the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2014, is insufficient to cover General Fund appropriations made for the fiscal year ending June 30, 2014, the amount necessary to balance revenue and General Fund appropriations or to prevent a cash deficiency in the General Fund. For FY 14, this resulted in a year-end transfer from the SBRF to the General Fund for \$1,920 million.

NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND RESTATED BEGINNING NET POSITION

PRIOR PERIOD ADJUSTMENTS

Governmental Activities – Government-wide

Bond Anticipation Notes (BANs) Series 2013C were issued on March 24, 2013. This activity was reported in FY 13 as long-term debt reporting \$149.6 million in bond proceeds and \$2.5 million in bond premiums for a total of \$152.1 million. In FY 14, it was determined that the BANs Series 2013C should be reported as a short-term debt rather than a long-term debt. As a result, a correction to reverse this activity as a prior period adjustment for an increase of \$152.1 million is reported on the government-wide financial statements. This prior period adjustment is offset by the Statement of Activities impact of the Capital Projects Fund prior period adjustment noted below.

Capital Projects Fund 2012 Transportation Project

Bond Anticipation Notes (BANs) Series 2013C were issued on March 24, 2013. In FY 14, it was determined that the BANs Series 2013C should be reported as a short-term debt rather than a long-term debt. As a result, a correction to report the previous bond proceeds and a liability are reflected as a prior period adjustment for an decrease of \$152.1 million.

Alaska Housing Capital Corporation

The State of Alaska Legislature appropriated \$21 million of Alaska Housing Capital Corporation (AHCC) funds in FY 13 under Senate Bill 160 for the In-State Gas Pipeline project. This appropriation was incorrectly established in the General Fund and disbursements of approximately \$11 million were made in FY 13. This error was not discovered by the Department of Administration, Division of Finance until FY 14. The expenditures of \$11 million were not properly reflected in AHCC's FY 13 financial statements; therefore requiring a correction of an error in the FY 14 financial statements for a decrease of \$11 million.

University of Alaska

In FY 14, the University of Alaska began to depreciate library books in accordance with Generally Acceptable Accounting Principles. The change required retroactively computing depreciation expense. As a result of the change, the beginning net position as of July 1, 2012 was restated, resulting in a decrease of \$42.6 million in net investment in capital assets, and capital assets, net of accumulated depreciation decreased by \$42.6 million. The change represents the amount of depreciation expense that would have been recognized through that date had the University previously depreciated library books using a 20 year useful life. As part of the change, additional depreciation expense of \$1.3 million was recorded in FY 13.

RESTATED BEGINNING NET POSITION

International Airports Fund

The International Airports Fund's net position at June 30, 2013 was restated to reflect a reduction in the amount due to the State of Alaska General Fund by \$14,243 thousand. This is a capital project grant revenue that had been previously recognized in the General Fund rather than the International Airports Fund. This had no impact to the International Airports Fund change in net position for the year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 65

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. Statement 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

The State of Alaska and its component units adopted the provisions of Statement 65 during FY 14. The effects of adopting Statement 65 are reported as a restated beginning net position. The following funds had a cumulative effect on the beginning net position due to this change as follows:

Governmental Activities – Government-wide

Government-wide activity for governmental activity reported a decrease of \$5,209 thousand. This included Northern Tobacco Securitization Corporation for \$2,650 thousand, General Obligation Bonds for \$2,319 thousand, and Sport Fish Revenue Bonds for \$240 thousand.

Enterprise Funds

International Airport Fund reported a decrease of \$8,967 thousand.
Knik Bridge Arm Toll Authority had a decrease of \$2,683 thousand.

Component Units

Alaska Industrial Development and Export Authority reported an increase of \$3,760 thousand.
Alaska Housing Finance Corporation reported a decrease of \$10,855 thousand.
Alaska Energy Authority reported a decrease of \$234 thousand.
Alaska Student Loan Corporation reported a decrease of \$2,483 thousand.
Alaska Railroad Corporation reported a decrease of \$114 thousand.

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, 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, and the International Equity Pools are managed externally. Treasury manages the Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool, Non-interest Bearing Deposits, Intermediate-term 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://treasury.dor.alaska.gov/>.

Deposits and investments at June 30, 2014, are as follows:

Investment Type	Fair Value (in thousands)						Total
	Short-term Fixed Income Pool	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	
Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,170	\$ 42,170
Money Market	-	-	-	-	18,228	-	18,228
Corporate Bonds	479,458	-	449,338	1,077,102	-	-	2,005,898
Mortgage-backed	32,946	-	207,066	1,686,790	-	-	1,926,802
Municipal Bonds	-	-	-	15,185	-	-	15,185
Other Asset-backed	2,313,886	-	224,381	263,465	-	-	2,801,732
Overnight Sweep Account (Imcs)	751,375	-	-	-	-	-	751,375
Repurchase Agreement	469,500	-	-	-	-	-	469,500
U.S. Government Agency	-	-	10,014	110,457	-	-	120,471
Treasury Bills	4,050,245	748,205	435,904	-	-	-	5,234,354
Treasury Bonds	-	-	-	144,073	-	-	144,073
Treasury Notes	911,136	25,053	5,913,532	1,741,287	-	-	8,591,008
Treasury Strips	-	-	16,004	113,841	-	-	129,845
Yankees Corporate	108,742	-	103,491	196,096	-	-	408,329
Yankees Government	-	-	34,105	64,313	-	-	98,418
Domestic Equity	-	-	-	-	-	3,654,239	3,654,239
International Equity	-	-	-	-	-	1,985,824	1,985,824
Total Invested Assets	9,117,288	773,258	7,393,835	5,412,609	18,228	5,682,233	28,397,451
Pool related net assets (liabilities)	(1,916,082)	311	592,523	5,752	-	438	(1,317,058)
Net Invested Assets before earnings distribution to participants	7,201,206	773,569	7,986,358	5,418,361	18,228	5,682,671	27,080,393
Earnings payable to participants	(941)	-	-	-	-	-	(941)
Other pool ownership	(1,157,863)	71	771,627	386,165	-	-	-
Ownership under other fiduciary responsibility:							
Alaska Retirement Management Board	(898,181)	-	-	-	-	-	(898,181)
Exxon Valdez Oil Spill Trustee Council	-	-	-	(64,236)	-	(158,706)	(222,942)
Alaska Mental Health Trust Authority	(4,014)	-	-	(11,309)	-	(24,683)	(40,006)
Total Commissioner's Fiduciary Responsibility	\$ 5,140,207	\$ 773,640	\$ 8,757,985	\$ 5,728,981	\$ 18,228	\$ 5,499,282	\$ 25,918,323

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. These constraints apply to trade date, except for securities bought at new issue, for which settlement dates applies. At June 30, 2014, the expected average life of individual fixed rate securities ranged from one day to 2.2 years and the expected average life of floating rate securities ranged from eight days to 3.2 years.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, the expected average life of fixed rate securities ranged from 31 to 179 days.

Short-term Treasury Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, this pool held no securities or cash.

Intermediate, Broad Market and U.S. Treasury 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 - ± 20% of the Barclays 1-3 year Government Bond Index. The effective duration for the Barclays 1-3 year Government Bond Index at June 30, 2014 was 1.94 years.

Broad Market Fixed Income Pool - ± 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, 2014 was 5.52 years.

At June 30, 2014, the effective duration by investment type was as follows:

	Effective Duration (in years)	
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool
Corporate Bonds	1.40	8.11
Mortgage-backed	0.99	4.24
Municipal Bonds	-	15.09
Other Asset-backed	0.70	0.69
Treasury Bill	0.42	-
Treasury Bonds	-	19.07
Treasury Notes	2.14	4.71
Treasury Strip	3.27	3.44
U.S. Government Agency	1.71	8.00
Yankees Corporate	0.62	5.89
Yankees Government	0.78	8.21
Portfolio Effective Duration	1.72	5.21

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. Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's. 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.

Short-term Liquidity Pool investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-Term Fixed Income Pool.

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.

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, 2014, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2014, 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	Short-term Liquidity Fixed Income Pool	Intermediate- term Fixed Income Pool	Broad Market Fixed
Corporate Bonds	AAA	0.06%	-	0.10%	0.19%
Corporate Bonds	AA	2.90%	-	1.33%	2.51%
Corporate Bonds	A	3.71%	-	2.98%	9.85%
Corporate Bonds	BBB	-	-	0.73%	5.81%
Corporate Bonds	BB	-	-	-	0.09%
Corporate Bonds	Not Rated	-	-	-	0.10%
U.S. Government Agency	AA	-	-	0.11%	1.90%
Overnight Sweep Account (Imcs)	Not Rated	10.44%	-	-	-
Mortgage-backed	AAA	0.23%	-	1.19%	2.82%
Mortgage-backed	AA	0.04%	-	0.69%	24.77%
Mortgage-backed	A	0.06%	-	0.15%	0.34%
Mortgage-backed	BBB	-	-	0.01%	0.03%
Mortgage-backed	Not Rated	0.12%	-	0.32%	1.09%
Municipal Bonds	AA	-	-	-	0.10%
Municipal Bonds	A	-	-	-	0.16%
Other Asset-backed	AAA	22.93%	-	1.71%	3.13%
Other Asset-backed	AA	0.21%	-	0.34%	0.78%
Other Asset-backed	A	0.79%	-	-	-
Other Asset-backed	Not Rated	8.20%	-	0.51%	0.64%
Other Pool Ownership	Not Rated	-	0.01%	8.81%	6.65%
Repurchase Agreement	AA	6.52%	-	-	-
Treasury Bills	AA	56.25%	96.71%	4.98%	-
Treasury Bonds	AA	-	-	-	2.48%
Treasury Notes	AA	12.65%	3.24%	67.52%	30.03%
Treasury Strips	AA	-	-	0.18%	1.96%
Yankees Corporate	AAA	-	-	-	0.23%
Yankees Corporate	AA	0.77%	-	0.63%	0.81%
Yankees Corporate	A	0.74%	-	0.38%	1.08%
Yankees Corporate	BBB	-	-	0.06%	0.89%
Yankees Corporate	Not Rated	-	-	0.11%	0.36%
Yankees Government	AAA	-	-	-	0.08%
Yankees Government	AA	-	-	0.35%	0.56%
Yankees Government	BBB	-	-	-	0.37%
Yankees Government	Not Rated	-	-	0.04%	0.09%
No Credit Risk		(26.62%)	0.04%	6.77%	0.10%
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Custodial Credit Risk – Deposits

Treasury's investment policy requires the State's depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (The FDIC provides \$250 thousand of coverage). In accordance with Treasury policy, they are required to retain collateral equal to 110 percent of uninsured deposits.

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, 2014, the State had the following uncollateralized and uninsured deposits:

	Amount
	(in thousands)
International Equity Pool	<u>\$ 683</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds backed by any one company or affiliated group.

At June 30, 2014, the funds invested in the Broad market Fixed Income Pool had more than five percent of their investments in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation as follows:

	<u>Fair Value</u> <u>(in thousands)</u>	<u>Percent of Total</u> <u>Pool Investments</u>
Broad Market Fixed Income Pool		
Federal National Mortgage Association	\$ 1,059,217	18.25%
Federal Home Loan Mortgage Corporation	333,797	5.75%

Federal National Mortgage Association and Federal Home Loan Mortgage Corporation 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 14 and invested assets included the following holdings at June 30, 2014, for the funds invested in the International Equity Pool:

	<u>Policy</u>	<u>Actual</u>
Constitutional Budget Reserve Fund, Subaccount	20% ± 7%	20.81%
Exxon Valdez Settlement Investments	23% ± 7%	23.39%
Higher Education Fund	22% ± 7%	22.09%
Mental Health Trust Fund	21% ± 5%	21.38%
Power Cost Equalization Endowment Fund	28% ± 5%	29.12%
Public School Trust Fund, Principal	15% ± 5%	15.91%
Retiree Health Insurance Fund, Long Term Care	14% ± 4%	14.03%

At June 30, 2014, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

<u>Currency</u>	<u>Fair Value (in thousands)</u>
Deposits:	
Japanese Yen	\$ 71
Pounds Sterling	612
Total Deposits	<u>\$ 683</u>
Investments - International Equity:	
Australian Dollar	\$ 4,930
Canadian Dollar	7,155
Danish Krone	2,601
Euro Currency	73,538
Japanese Yen	53,344
Norwegian Krone	1,641
Pound Sterling	73,066
Swedish Krona	9,095
Swiss Franc	17,127
Total Equity	<u>242,497</u>
Total	<u>\$ 243,180</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, 2014 (in thousands):

	<u>Changes in Fair Value</u>		<u>Fair Value</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
FX Forwards	Investment Revenue	\$ 37,674	Long-term Instruments	\$ -	\$ -

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. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance 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, 2014, the International Equity Pool had no outstanding contracts.

Pursuant to Alaska Statute 37.10.089(d), the Commissioner of Revenue entered into a Standby Bond Purchase Agreement (SBPA), which supports a liquidity facility provided by State Street Bank on Alaska Student Loan Corporation (ASLC) Education Loan Revenue Refunding Bonds-Senior Series 2012. In the event that the bonds have been tendered and cannot be remarketed, the Commissioner has agreed to purchase Bank Bonds held by the Bank upon satisfaction of the conditions set forth in the SBPA. The annual facility fee is 15 basis points payable by the ASLC quarterly through the termination date of September 30, 2016. Bonds outstanding at June 30, 2014 were \$54,435 thousand.

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 Plans 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. Treasury manages the U.S. Treasury Fixed Income Pool, Dow Jones Dividend 100 Index Fund in the Alternative Equity Strategies Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

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://treasury.dor.alaska.gov/armb/>.

Deposits and investments at June 30, 2014 are as follows:

	Fair Value (in thousands)
Bank Loans	\$ 10,910
Commercial Paper	2,780
Convertible Bonds	166,119
Corporate Bonds	592,914
Deposits	121,992
Foreign Government Bonds	350,598
Mortgage-backed	59,600
Municipal Bonds	208,274
Other Asset-backed	407,378
Overnight Sweep Accounts (Imcs)	115,124
Short-term Investment Fund	31,796
U.S. Government Agency	2,827
Treasury Bills	508,256
Treasury Bonds	802
Treasury Notes	1,057,482
Treasury Strips	2,048
Treasury TIP Bonds	9,773
Treasury TIP Notes	24,475
Yankee Corporate	82,492
Yankee Government	1,491
Equity	10,402,050
Futures	126
Limited Partnership	1,198,627
Mutual Funds	922,016
Options	(5,987)
Repo	58,505
Rights	267
Warrants	134
Absolute Return	820,709
Energy	106,912
Farmland	709,869
Private Equity	1,726,013
Real Estate	1,330,483
Timber	359,681
Participant Directed	699,133
Net Other Assets/(Liabilities)	(207,977)
Total Invested Assets	<u>\$ 21,877,692</u>

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 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2014, the

expected average life of individual fixed rate securities ranged from one day to 2.2 years and the expected average life of floating rate securities ranged from eight days to 3.2 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 U.S. Treasury Fixed Income portfolio 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, 2014 was 3.63 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 Taxable Municipal Bond portfolios to ± 20 percent of the Barclays Capital Aggregate Eligible Taxable Municipal Bond Index. The effective duration for the Barclays Capital Aggregate Eligible Taxable Municipal Bond Index at June 30, 2014 was 11.74 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 Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2014 was 4.21 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 blended benchmark of 70 percent Citigroup Non-USD World Government Bond Index and 30 percent JP Morgan Global Bond Emerging Markets Broad Diversification Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2014, was 7.54 years and the effective duration of the JP Morgan Global Bond Index at June 30, 2014 was 4.87 years, for a blended duration of 6.74 years at June 30, 2014.

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, 2014 was 8.21 years.

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

At June 30, 2014, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

	Effective Duration (in years)				
	U.S. Treasury	Municipal Bonds	High Yield	International	TIPS
Bridge Loans	-	-	0.11	-	-
Corporate Bonds	1.85	13.80	3.98	-	-
Foreign Government Bonds	-	-	-	5.96	-
Mortgage-backed	1.97	-	-	-	-
Municipal Bonds	-	11.44	-	-	-
Other Asset-backed	0.45	-	-	-	-
Treasury Bills	-	-	-	-	-
Treasury Bonds	-	18.87	-	-	-
Treasury Notes	4.36	5.79	-	4.78	-
Treasury Strips	4.11	-	-	-	-
Treasury TIP Bonds	-	-	-	-	12.08
Treasury TIP Notes	-	-	-	-	4.59
U.S. Government Agency	8.34	-	-	-	-
Yankees Corporate	1.64	-	4.08	-	-
Yankees Government	(4.00)	-	-	-	-
Portfolio Effective Duration	3.50	10.81	3.75	5.82	6.62

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, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and five percent Barclays Long U.S. Treasury 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, 2014, the duration of the government corporate debt, and mortgage-backed securities was 3.93 years and the duration of the Barclays Bond Index was 3.98 years.

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, 2014, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 45 days, SSgA World Government Bond Ex-U.S. Index: 7.68 years, SSgA Long U.S. Treasury Bond Index: 16.68 years, SSgA TIPS Index: 7.28 years, Barclays Government Credit Bond Fund: 8.18 years, and the Barclays Intermediate Bond Fund: 3.82 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:

U.S. Intermediate Treasury Fixed Income:

No more than 30 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.

Taxable Municipal Bond Pool:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.

At the time of purchase, short term securities must be rated at least A-2 or equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO) or by the Contractor, if unrated. At the time of purchase, long term securities must be rated investment grade by an NRSRO or by the Contractor, if unrated. Only one rating is necessary, and the median rating will apply for securities rated by more than one NRSRO.

No more than 20 percent of the portfolio's assets may be invested in securities that are not rated by an NRSRO.

High Yield Fixed Income:

No more than ten percent of the portfolio's assets may be invested in securities rated A3 or higher by any rating agency (including government instruments). Cash held in the portfolio will be included in this limitation.

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

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

The lower of any Standard & Poor's, 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. Only one rating is necessary.

International Fixed Income:

Corporate debt and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency. In the event of a split rating, the lower of the ratings shall apply for evaluating credit quality.

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. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality.

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. Non-rated securities to which the manager assigns a non-investment grade rating are subject to the below investment grade limitations.

The weighted-average rating of the portfolio shall not fall below the Standard & Poor's equivalent of B.

The Manager shall not purchase any security with a credit rating at or below CCC- by S&P and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard and Poor's and C3 by Moody's if such an investment is considered appropriate given the Board's investment objective.

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.

Non-U.S. Treasury-issued 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, 2014, 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	U.S. Treasury	Municipal Bond	High Yield	International	Convertible	
Deposits	Not Rated	-	-	-	3.87%	0.78%	-	-
Bank Loans	Not Rated	-	-	-	1.93%	-	-	-
Commercial Paper	Not Rated	-	-	1.25%	-	-	-	-
Corporate Bonds	AAA	0.06%	-	-	-	-	-	-
Corporate Bonds	AA	2.90%	1.85%	-	-	-	-	-
Corporate Bonds	A	3.71%	2.90%	-	0.11%	-	-	-
Corporate Bonds	BBB	-	0.24%	-	4.00%	-	-	-
Corporate Bonds	BB	-	-	-	35.21%	-	-	-
Corporate Bonds	B	-	-	-	36.94%	-	-	-
Corporate Bonds	CCC	-	-	-	3.94%	-	-	-
Corporate Bonds	Not Rated	-	-	0.56%	2.93%	-	-	-
Convertible Bonds	A	-	-	-	-	-	2.17%	-
Convertible Bonds	BBB	-	-	-	0.29%	-	14.36%	-
Convertible Bonds	BB	-	-	-	-	-	19.98%	-
Convertible Bonds	B	-	-	-	-	-	10.16%	-
Convertible Bonds	CCC	-	-	-	-	-	1.92%	-
Convertible Bonds	Not Rated	-	-	-	0.03%	-	35.37%	-
Equity	BBB	-	-	-	-	-	2.42%	-
Equity	BB	-	-	-	-	-	3.75%	-
Equity	B	-	-	-	-	-	1.36%	-
Equity	Not Rated	-	-	-	-	-	2.10%	-
Foreign Government Bonds	AAA	-	-	-	-	36.26%	-	-
Foreign Government Bonds	AA	-	-	-	-	16.92%	-	-
Foreign Government Bonds	A	-	-	-	-	18.92%	-	-
Foreign Government Bonds	BBB	-	-	-	-	17.02%	-	-
Foreign Government Bonds	BB	-	-	-	-	2.73%	-	-
Foreign Government Bonds	Not Rated	-	-	-	-	0.60%	-	-
U.S. Government Agency	AA	-	0.23%	-	-	-	-	-
Overnight Sweep Account (lmcs)	Not Rated	10.44%	-	4.48%	-	-	5.90%	-
Mortgage-backed	AAA	0.23%	1.08%	-	-	-	-	-
Mortgage-backed	AA	0.04%	1.62%	-	-	-	-	-
Mortgage-backed	A	0.06%	0.26%	-	-	-	-	-
Mortgage-backed	Not Rated	0.12%	1.49%	-	-	-	-	-

Continued from previous page:

	Rating	Fixed Income Pools						TIPS
		Short-term	U.S. Treasury	Municipal Bond	High Yield	International	Convertible	
Municipal Bonds	AAA	-	-	11.03%	-	-	-	-
Municipal Bonds	AA	-	-	52.76%	-	-	-	-
Municipal Bonds	A	-	-	29.12%	-	-	-	-
Municipal Bonds	Not Rated	-	-	0.77%	-	-	-	-
Other Asset-backed	AAA	22.93%	6.81%	-	-	-	-	-
Other Asset-backed	AA	0.21%	0.34%	-	-	-	-	-
Other Asset-backed	A	0.79%	-	-	-	-	-	-
Other Asset-backed	Not Rated	8.20%	2.41%	-	-	-	-	-
Other Pool Ownership	Not Rated	-	5.08%	-	-	-	-	1.64%
Repurchase Agreement	AA	6.52%	-	-	-	-	-	-
Treasury Bills	AA	56.25%	-	-	-	-	-	-
Treasury Bonds	AA	-	-	0.36%	-	-	-	-
Treasury Notes	AA	12.65%	74.36%	0.22%	-	4.73%	-	-
Treasury Strips	AA	-	0.16%	-	-	-	-	-
Treasury TIP Bonds	AA	-	-	-	-	-	-	27.96%
Treasury TIP Notes	AA	-	-	-	-	-	-	70.01%
Short-Term Investment Fund	Not Rated	-	-	-	-	0.58%	-	-
Warrants	Not Rated	-	-	-	0.01%	-	-	-
Yankees Corporate	AAA	-	0.08%	-	-	-	-	-
Yankees Corporate	AA	0.77%	0.45%	-	-	-	-	-
Yankees Corporate	A	0.74%	-	-	-	-	-	-
Yankees Corporate	BBB	-	0.08%	-	-	-	-	-
Yankees Corporate	BB	-	-	-	4.68%	-	-	-
Yankees Corporate	B	-	-	-	4.96%	-	-	-
Yankees Corporate	CCC	-	-	-	0.44%	-	-	-
Yankees Corporate	Not Rated	-	0.23%	-	0.28%	-	-	-
Yankees Government	Not Rated	-	0.12%	-	-	-	-	-
No Credit Risk		(26.62%)	0.21%	(0.55%)	0.38%	1.46%	0.51%	0.39%
		<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, Treasury investment policy requires the State’s depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides \$250 thousand of coverage. In accordance with Treasury policy, they are required to retain collateral equal to 110 percent of uninsured deposits.

At June 30, 2014, the ARMB’s invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Equity Pool	\$ 85,450
International Fixed Income Pool	<u>2,938</u>
	<u>\$ 88,388</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, Taxable Municipal Bond Pool or TIPS Pools.

At June 30, 2014, 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 these 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, Romania, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. The ARMB has no specific policy regarding foreign currency risk relating to international or private equity. The ARMB has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. 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:

Pension System	Fixed - Income	Global Equity Ex- U.S.	Private Equity Pool
Public Employees' Retirement System	17%	29%	14%
Teachers' Retirement System	17%	29%	14%
Judicial Retirement System	17%	29%	14%
Alaska National Guard and Naval Militia System	58%	24%	-

At June 30, 2014, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

Currency	International Fixed Income Pool		International Equity					Private Equity
	Deposits	Foreign Government	Deposits	Equity	Mutal Funds	Rights	Warrants	Limited
		Bonds						Partnerships
Australian Dollar	\$ 202	\$ 25,964	\$ 57	\$ 100,030	\$ -	\$ -	\$ -	\$ 835
Brazilian Real	-	27,099	78	14,822	-	-	-	-
Canadian Dollar	-	-	219	155,562	-	-	-	-
Columbian Peso	19	3,417	-	-	-	-	-	-
Danish Krone	-	-	1	53,829	-	-	-	-
Euro Currency	-	66,539	79,021	961,023	-	88	15	139,724
Hong Kong Dollar	-	-	314	133,391	-	179	-	-
Indian Rupee	-	-	12	10,150	-	-	-	-
Indonesian Rupiah	194	10,353	4	11,612	-	-	-	-
Israeli Shekel	-	-	73	1,373	-	-	-	-
Japanese Yen	82	64,261	3,927	770,563	-	-	-	-
Malaysian Ringgit	408	8,215	-	2,184	-	-	-	-
Mexican Peso	937	26,504	-	476	-	-	-	-
New Israeli Sheqel	-	-	-	-	-	-	-	-
New Russian Ruble	-	13,213	-	-	-	-	-	-
New Taiwan Dollar	-	-	148	3,852	-	-	-	-
New Zealand Dollar	-	-	42	9,232	-	-	-	-
Norwegian Krone	-	-	81	16,432	-	-	-	-
Peruvian Nouveau Sol	182	7,109	-	-	-	-	-	-
Philippine Peso	-	-	-	4,583	-	-	-	-
Polish Zloty	-	32,163	-	-	-	-	-	-
Pound Sterling	199	20,459	1,208	726,163	164	-	-	37,998
Singapore Dollar	-	-	184	37,141	-	-	-	-
South African Rand	226	11,494	-	11,262	-	-	-	-
South Korean Won	-	-	-	57,643	-	-	-	-
Swedish Krona	489	24,494	68	79,975	-	-	-	-
Swiss Franc	-	-	13	211,157	-	-	-	-
Thailand Baht	-	-	-	5,224	-	-	-	-
Turkish Lira	-	9,313	-	7,278	-	-	-	-
	<u>\$ 2,938</u>	<u>\$ 350,597</u>	<u>\$ 85,450</u>	<u>\$ 3,384,957</u>	<u>\$ 164</u>	<u>\$ 267</u>	<u>\$ 15</u>	<u>\$ 178,557</u>

At June 30, 2014, the ARMB also had exposure to foreign currency risk in the Emerging Markets Equity Pool and the Emerging Markets Debt Pool. These pools consist 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, 2014, the ARMB had the following derivative instruments outstanding (in thousands):

Type	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Equity Options Written	Investment Revenue	\$ 5,288	Options	\$ (5,966)	\$ (1,640)
FX Forwards	Investment Revenue	(995)	Long Term Instruments	(655)	39,412
Index Futures Long	Investment Revenue	17,988	Futures	-	42
Index Options Bought	Investment Revenue	34	Options	-	-
Index Options Written	Investment Revenue	587	Options	(21)	(1)
Rights	Investment Revenue	362	Common Stock	267	751
Warrants	Investment Revenue	213	Common Stock	134	140
		<u>\$ 23,477</u>		<u>\$ (6,241)</u>	<u>\$ 38,704</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, 2014, the ARMB had the following foreign currency risk related to forward contracts (in thousands):

Currency Name	Options	Net Receivables	Net Payables	Total Exposure
Australian Dollar	\$ -	\$ -	\$ (538)	\$ (538)
Canadian Dollar	-	3	(10)	(7)
Euro Currency	103	-	-	103
Hong Kong Dollar	179	-	-	179
New Israeli Shekel	-	-	-	-
Japanese Yen	-	-	(61)	(61)
New Zeland Dollar	-	-	(49)	(49)
	<u>\$ 282</u>	<u>\$ 3</u>	<u>\$ (658)</u>	<u>\$ (373)</u>

At June 30, 2014 the ARMB had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty Name	Net Exposure (in thousands)	S&P Rating	Fitch Rating	Moody's Rating
Bank of New York	\$ 3	A+	AA-	A1
Maximum Amount of Loss in Case of Default by all Counterparties	3			
Effect of Collateral Reducing Maximum Exposure	-			
Liabilities Subject to Netting Arrangements Reducing Maximum Exposure	-			
Resulting Net Exposure	<u>\$ 3</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 June 30, 2014, Deferred Compensation Plan investments totaled \$794.7 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/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 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 June 30, 2014, are as follows:

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 28,932	8.18 years
Institutional Treasury Money Market Fund	12,081	45 days
Intermediate Bond Fund	14,519	3.82 years
Long U.S. Treasury Bond Index Fund	3,098	16.68 years
U.S. TIPS Index Fund	7,957	7.28 years
World Government Bond Ex-U.S. Index Fund	3,895	7.68 years
Bond Fund	63	5.27 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 3.89 years at June 30, 2014. The duration of the Barclays Capital Intermediate Aggregate Index was 4.19 years at June 30, 2014.

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 32 days at June 30, 2014.

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 blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclay's TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. At June 30, 2014, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 34.14 days at June 30, 2014.

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,
- Commercial paper and other short-term debt obligations must be rated A1 or equivalent.

At June 30, 2014, 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	\$ -	\$ 260	\$ 260
Short-term Investment Fund	Not Rated	8,839	-	8,839
U.S. Government Agency	AA	9,436	-	9,436
Mortgage-backed	AAA	2,280	-	2,280
Mortgage-backed	A	1,393	-	1,393
Mortgage-backed	Not Rated	52,439	-	52,439
Other Asset-backed	AAA	4,209	-	4,209
Other Asset-backed	AA	96	-	96
Other Asset-backed	Not Rated	4,305	-	4,305
Corporate Bonds	AAA	361	-	361
Corporate Bonds	AA	5,419	-	5,419
Corporate Bonds	A	18,538	-	18,538
Corporate Bonds	BBB	13,740	-	13,740
Corporate Bonds	Not Rated	183	-	183
Yankees Corporate	AAA	1,466	-	1,466
Yankees Corporate	AA	4,428	-	4,428
Yankees Corporate	A	5,819	-	5,819
Yankees Corporate	BBB	2,201	-	2,201
Yankees Government	AAA	1,210	-	1,210
Yankees Government	AA	584	-	584
Yankees Government	A	437	-	437
Yankees Government	BBB	70	-	70
Deposits and Investments with no credit exposure:				
Deposits	Not Rated	(923)	-	(923)
U.S. Treasury Notes	AA	46,138	-	46,138
U.S. Treasury Notes	Not Rated	6,253	-	6,253
Collective Investment Funds	Not Rated	-	377,096	377,096
Wholly Owned Pooled	Not Rated	-	114,127	114,127
Wholly Owned Domestic Equity	Not Rated	-	116,079	116,079
Total Invested Assets		\$ 188,921	\$ 607,562	\$ 796,483

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2014, 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. Agency 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 June 30, 2014, the Deferred Compensation Plan 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. 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 June 30, 2014, SBS investments totaled \$3.323 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.

	Fair Value (in thousands)	Weighted Average Maturity
Government/Credit Bond Index Fund	\$ 45,349	8.18 years
Institutional Treasury Money Market Fund	37,375	45 days
Intermediate Bond Fund	12,896	3.82 years
Long U.S. Treasury Bond Index Fund	10,379	16.58 years
U.S. TIPS Index Fund	16,792	7.28 years
World Government Bond Ex-U.S. Index Fund	10,433	7.68 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 June 30, 2014, the expected average life of individual fixed rate securities ranged from one day to 2.19 years and the expected average life of floating rate securities ranged from eight days to 3.21 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 3.90 years at June 30, 2014. The duration of the Barclays Capital Intermediate Aggregate Index was 4.19 years at June 30, 2014.

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.

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 ± 0.2 years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and 5 percent Barclays Long U.S. Treasury Bond Index. At June 30, 2014, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 34.14 days at June, 30, 2014.

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 A1 or equivalent.

At June 30, 2014, 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
		Fixed Income Pool	Underlying		Investment Loss Trust	Other	
			Short-term	Synthetic			
			Contracts				
Investments with Credit Exposure:							
Money Market Fund	Not Rated	\$ -	\$ 40,250	\$ -	\$ 1,217	\$ 41,467	
Short-term Investment Fund	Not Rated	-	3,798	-	-	3,798	
Commercial Paper	Not Rated	162	-	469	-	631	
U.S. Government Agency	AA	-	12,499	-	-	12,499	
U.S. Government Agency	Not Rated	521	-	1,507	-	2,028	
Mortgage-backed	AAA	4	4,682	13	-	4,699	
Mortgage-backed	AA	-	-	1	-	1	
Mortgage-backed	A	-	1,682	-	-	1,682	
Mortgage-backed	Not Rated	2	91,933	5	-	91,940	
Other Asset-backed	AAA	206	8,252	596	-	9,054	
Other Asset-backed	AA	2	123	6	-	131	
Other Asset-backed	A	8	-	23	-	31	
Other Asset-backed	Not Rated	85	6,546	247	-	6,878	
Corporate Bonds	AAA	1	590	2	-	593	
Corporate Bonds	AA	27	9,276	79	-	9,382	
Corporate Bonds	A	35	31,909	101	-	32,045	
Corporate Bonds	BBB	-	22,306	-	-	22,306	
Corporate Bonds	Not Rated	-	678	-	-	678	
Yankees Corporate	AA	7	6,597	21	-	6,625	
Yankees Corporate	A	5	10,350	14	-	10,369	
Yankees Corporate	BBB	-	3,858	-	-	3,858	
Yankees Government	AAA	-	4,323	-	-	4,323	
Yankees Government	AA	-	1,991	-	-	1,991	
Yankees Government	A	-	1,546	-	-	1,546	
Yankees Government	BBB	-	116	-	-	116	
Deposits and Investments with No Credit Exposure:							
Deposits	Not Rated	-	(3,057)	-	-	(3,057)	
U.S. Treasury Bills	Not Rated	10	-	29	-	39	
U.S. Treasury Notes	AA	-	83,009	-	-	83,009	
U.S. Treasury Notes	Not Rated	119	12,571	346	-	13,036	
Participant-directed Funds:							
Collective Investment Funds	Not Rated	-	-	-	889,545	889,545	
Pooled Investment Funds	Not Rated	-	-	-	2,077,356	2,077,356	
Investment Loss Trust Fund							
Assets not reported with SBS	Not Rated	-	-	(797)	-	(797)	
Contributions in Transit and							
Other Unreconciled Differences	Not Rated	-	(1)	-	224	223	
Total Invested Assets		1,194	355,827	2,662	2,968,342	3,328,025	
Pool Related Net (Liabilities)		(251)	-	(727)	-	(978)	
Total		\$ 943	\$ 355,827	\$ 1,935	\$ 2,968,342	\$ 3,327,047	

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2014, SBS'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%
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’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 June 30, 2014, 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.

State investment regulations

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.

Investment policy – Asset allocation

The Trustees have established a long-term goal of achieving a five percent real rate of return over time on the Fund's investment portfolio. To help achieve this goal, the Trustees allocate the Fund's investments among various risk and asset classes.

At June 30, 2014, 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 and Interest Rates		6%	
	Cash		1%
	U.S. Government Bonds and International Developed Government Bonds (currency hedged)		5%
Company Exposure		55%	
	Global Credit		11%
	Public/Private Credit		2%
	Global Equity		36%
	Private Equity		6%
Real Assets		19%	
	Real Estate		12%
	Infrastructure		4%
	U.S. Treasury Inflation Protection Securities		3%
Special Opportunities		20%	
	Absolute Return Mandate		6%
	Real Return Mandate		7%
	Emerging Markets Multi-Asset		2%
	Fixed Income Aggregate		2%
	Debt Opportunities		1%
	True Special Opportunities		2%

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 dollar allocation for the interest rate risk class is six percent, with the green zone range set at five to 7.5 percent, yellow zone ranges set at 7.5 to nine percent, and red zone ranges set at allocations of less than five percent or greater than nine 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.

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 five percent.

At June 30, 2014, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$226,699 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to 7.5 percent.

Credit Risk

The APFC requires that its investment grade fixed income managers, both internal and external, 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. 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/decrease 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.

Futures

Certain equity and fixed income managers for the Fund are permitted to buy and sell equity and interest rate index futures. The gross fair value of 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.

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 1.2 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, 2014 (in thousands):

Cash	\$ 101,904
Pooled Funds	2,894,564
U.S. Treasury Bills	976
Total Cash and Temporary Investments	<u>\$ 2,997,444</u>

Uninvested cash was held at the custodian, sub-custodian, or futures broker banks, primarily in interest-bearing accounts. All pooled funds were invested in a money market fund. U.S. Treasury bills are explicitly guaranteed by the U.S. government.

Marketable Debt Securities

Marketable debt securities at June 30, 2014, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Treasury and Government Notes/Bonds	\$ 2,344,934	\$ 2,370,233	\$ 25,299
Mortgage-backed Securities	851,742	861,832	10,090
Corporate Bonds	5,242,368	5,349,365	106,997
Commercial Mortgage/Asset-backed Securities	336,866	340,454	3,588
Non-U.S. Treasury and Government Bonds	1,129,318	1,158,364	29,046
Non-U.S. Corporate Bonds	1,854,722	1,883,220	28,498
Total Marketable Debt Securities	<u>\$11,759,950</u>	<u>\$11,963,468</u>	<u>\$ 203,518</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 92 percent of bond mandates at June 30, 2014), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately eight percent of bond mandates at June 30, 2014) 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 NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2014, 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	\$ 513,121	\$ 233,783	\$ 746,904	6.25%
AA	342,282	722,767	1,065,049	8.90%
A	2,092,349	1,172,959	3,265,308	27.30%
BBB	2,282,084	713,926	2,996,010	25.04%
BB	46,904	82,379	129,283	1.08%
B	38,513	96,348	134,861	1.13%
CCC	34,773	7,222	41,995	0.35%
CC	-	321	321	0.00%
C	443	-	443	0.00%
D	-	-	-	0.00%
Total Fair Value of Rated Debt Securities	5,350,469	3,029,705	8,380,174	70.05%
Commingled Bond Funds	354,714	-	354,714	2.96%
Not Rated	3,246	11,880	15,126	0.13%
U.S. Government Explicitly Backed by the U.S. Government (AA)	2,525,286	-	2,525,286	21.11%
U.S. Government Implicitly Backed by the U.S. Government (AA)	688,168	-	688,168	5.75%
Total Fair Value Debt Securities	<u>\$ 8,921,883</u>	<u>\$ 3,041,585</u>	<u>\$ 11,963,468</u>	<u>100.00%</u>

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, 2014, 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	26.57%	5.61
Mortgage-backed Securities	9.66%	5.06
Corporate Bonds	59.96%	4.18
Commercial Mortgage and Asset-backed Securities	3.81%	4.29
Total Domestic Bonds	<u>100.00%</u>	<u>4.23</u>
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	38.08%	6.85
Non-U.S. Corporate Bonds	61.92%	4.38
Total Non-domestic Bonds	<u>100.00%</u>	<u>5.33</u>

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 also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30, 2014 are summarized as follows (in thousands based on currency of trade), and include the net fair value of equity index futures of \$662 thousand:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains/(Losses)</u>
Direct Investments			
Domestic	\$ 5,541,414	\$ 7,862,625	\$ 2,321,211
Non-domestic	9,739,880	11,903,231	2,163,351
Commingled Funds	<u>480,021</u>	<u>677,271</u>	<u>197,250</u>
Total Preferred and Common Stock	<u>\$ 15,761,315</u>	<u>\$20,443,127</u>	<u>\$ 4,681,812</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, 2014, the Fund's cash holdings, foreign currency forward contracts, 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 and Equivalents	Foreign Exchange Forward Contracts	Public and Private Equity	Debt	Total Foreign Currency Exposure
Australian Dollar	\$ 221	\$ 52,312	\$ 500,585	\$ 14,487	\$ 567,605
Brazilian Real	995	(21,285)	268,723	85,990	334,423
British Pound Sterling	(360)	(151,951)	2,136,505	34,115	2,018,309
Canadian Dollar	(5,931)	(16,947)	774,934	21,067	773,123
Chilean Peso	4,067	(3,868)	20,144	4,321	24,664
Colombian Peso	(1,287)	1,089	7,266	31,658	38,726
Czech Koruna	50	-	2,776	-	2,826
Danish Krone	(3,100)	3,465	93,813	-	94,178
Egyptian Pound	40	-	1,235	-	1,275
Euro Currency	34,090	(176,143)	2,560,894	268,388	2,687,229
Ghanaian Cedi	(1,944)	1,944	-	1,934	1,934
Hong Kong Dollar	203	2,252	934,676	-	937,131
Hungarian Forint	83	-	3,043	8,633	11,759
Indian Rupee	491	(1,119)	327,295	3,885	330,552
Indonesian Rupiah	2,410	-	106,597	13,918	122,925
Israeli Shekel	273	2,705	51,854	-	54,832
Japanese Yen	9,415	(123,864)	1,611,701	132,909	1,630,161
Malaysian Ringgit	(924)	(1,298)	140,517	-	138,295
Mexican Peso	(23)	(39,154)	132,539	84,200	177,562
New Zealand Dollar	58	153,379	9,587	20,841	183,865
Nigerian Naira	-	-	836	4,860	5,696
Norwegian Krone	269	26,789	69,055	18,451	114,564
Peruvian Nuevo Sol	3	-	-	1,139	1,142
Philippine Peso	155	(3,612)	26,020	18,511	41,074
Polish Zloty	181	(8,319)	21,557	30,589	44,008
Qatari Riyal	507	(498)	4,734	33,056	37,799
Russian Ruble	-	(370)	623	-	253
Singapore Dollar	1,291	(1,226)	97,837	602	98,504
South African Rand	(211)	441	213,722	30,474	244,426
South Korean Won	2,136	(17,814)	475,016	7,084	466,422
Swedish Krona	(1,417)	(148,765)	215,211	6,252	71,281
Swiss Franc	(3,728)	(32,225)	560,929	1,188	526,164
Taiwan Dollar	3,989	(854)	405,741	-	408,876
Thai Baht	861	-	101,480	-	102,341
Turkish Lira	64	-	72,668	27,342	100,074
UAE Dirham	357	(252)	6,313	-	6,418
Uruguayan Peso	-	-	-	5,654	5,654
Total foreign currency exposure	\$ 43,284	\$ (505,188)	\$11,956,426	\$ 911,548	\$12,406,070

Cash amounts in the schedule above include receivables, payables, certificates of deposit, 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. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real

estate properties, real return mandates, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule above.

Real Estate

The Fund holds a variety of real estate interests, including directly owned real estate, real estate investment trusts, a multi-family real estate operating company, and other entities in which the 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.

The APFC periodically reviews real estate investments for other than temporary impairment. There was no impairment recognized in FY 14.

Real estate investments at June 30, 2014 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Real Estate Investment Trusts	\$ 904,024	\$ 1,193,331	\$ 289,307
American Homes 4 Rent II	39,638	39,638	-
Directly Owned Real Estate:			
Retail	742,158	1,496,869	754,711
Office	1,264,001	1,552,445	288,444
Industrial	196,615	237,084	40,469
Multifamily	1,061,228	1,372,717	311,489
Total Real Estate	<u>\$ 4,207,664</u>	<u>\$ 5,892,084</u>	<u>\$ 1,684,420</u>

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 APFC periodically reviews alternative investments for other than temporary impairment.

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 by their nature 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 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. During FY 14 it was determined that one private equity fund was

impaired and would not recover its carrying cost over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income and fund balance classification, \$6.7 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase in the fair value of private equity investments.

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 or credit opportunity 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 and funds 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, 2014 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Real Return	\$ 1,666,246	\$ 2,115,743	\$ 449,497
Absolute Return	2,454,444	2,775,521	321,077
Private Equity	2,734,978	3,130,850	395,872
Infrastructure	1,232,624	1,342,448	109,824
Distressed and Mezzanine Debt	1,144,899	1,364,779	219,880
Total Alternative Investments	<u>\$ 9,233,191</u>	<u>\$10,729,341</u>	<u>\$ 1,496,150</u>

As of June 30, 2014, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$3.26 billion for private equity; \$820 million for infrastructure; and \$224 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

Emerging Markets Total Opportunities

APFC’s emerging market multi-asset class mandates represent portfolios that invest across the spectrum of liquid securities: stocks, bonds and currency. This flexibility gives the managers the ability to select the most advantageous publicly traded investments from both a risk and return perspective without the limitation of security type.

Emerging market mandates at June 30, 2014 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding (Losses)
Emerging Markets Total Opportunities	\$ 925,733	\$894,029	\$ (31,704)

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 certain marketable securities. 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.

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, 2014, 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, 2014, the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan, Secured by Cash Collateral	\$ 1,294,366
Cash Collateral	1,393,669
Fair Value of Securities on Loan, Secured by Non-cash Collateral	2,995,522
Non-cash Collateral	3,287,519

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the years ended June 30, 2014, the Fund incurred no losses from securities lending transactions. The Fund received income of \$12,010 thousand from securities lending for the year ended June 30, 2014, 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, 2014, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	\$ 278,171
Short-term Domestic and Other	10,920
Total Interest	<u>\$ 289,091</u>
Dividends	<u>\$ 617,199</u>
Real Estate and Other Income	
Directly Owned Real Estate Net Rental Income	\$ 173,639
Real Estate Investment Trust Dividends	24,137
Real Return Interest and Dividends	13,997
Absolute Return Management Expenses, Net of Dividend and Interest Income	(15,061)
Distressed and Mezzanine Debt Interest Income, Net of Fees	26,201
Infrastructure Interest and Dividend Income, Net of Fees	14,261
Private Equity Dividend Income, Net of Management Expenses	11,492
Class Action Litigation Income	1,984
Loaned Securities, Commission Recapture and Other Income	12,444
Total Real Estate and Other Income	<u>\$ 263,094</u>

Foreign Exchange Contracts Futures 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, 2014 ranged between one and 111 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, 2014 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 FY 14 are summarized as follows (in thousands):

Face Value of FX Forward Contracts	\$1,855,805
Net Unrealized Holding Losses on FX Forward Contracts	<u>(2,199)</u>
Fair Value of FX Forward Contracts	<u>\$1,853,606</u>
Change in Unrealized Holding Losses	\$ (17,708)
Realized Losses	<u>(618)</u>
Net Decrease in Fair Value of FX Forward Contracts	<u>\$ (18,326)</u>

Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 12, the internal fixed income management team began trading U.S. Treasury index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity and fixed income 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 FY 14 is summarized as follows (in thousands):

Face Value of Equity Index Futures	\$ 143,192
Net Unrealized Holding Gains on Futures	<u>662</u>
Fair Value of Equity Index Futures	<u>\$ 143,854</u>
Change in Unrealized Holding Losses	\$ (120)
Realized Gains	<u>17,445</u>
Net Increase in Fair Value of Futures	<u>\$ 17,325</u>

Activity and balances related to U.S. Treasury index futures for FY 14 is summarized as follows (in thousands):

Face Value of U.S. Treasury Index Futures	\$ 39,178
Net Unrealized Holding Gains on Futures	<u>44</u>
Fair Value of U.S. Treasury Index Futures	<u>\$ 39,222</u>
Change in Unrealized Holding Gains	\$ 1,397
Realized Losses	<u>(4,200)</u>
Net Decrease in Fair Value of U.S. Treasury Futures	<u>\$ (2,803)</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 within the net increase in fair value of investments on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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. Intangibles are reported separately in the notes to the financial statements; however, on the face of the financial statements, intangibles are grouped with the asset class they most resemble. Easements and right of way are grouped with land, and software is grouped with equipment.

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>Capitalize at Value</u>	<u>Useful Life</u>	<u>Capitalize 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				

When a proprietary or fiduciary fund has its own capitalization policy, capital assets will be capitalized under that policy rather than in accordance with the above table.

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, 2014, are as follows (in millions):

Governmental Activities	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 573	\$ 23	\$ -	\$ 596
Land	339	1	-	340
Construction in progress	1,306	581	(339)	1,548
Total capital assets not being depreciated	<u>2,218</u>	<u>605</u>	<u>(339)</u>	<u>2,484</u>
Capital assets being depreciated:				
Buildings	1,939	66	(21)	1,984
Intangible - Software	61	19	-	80
Equipment	937	47	(18)	966
Infrastructure	7,103	280	-	7,383
Total capital assets being depreciated	<u>10,040</u>	<u>412</u>	<u>(39)</u>	<u>10,413</u>
Less accumulated depreciation for:				
Buildings	(605)	(54)	6	(653)
Intangible - Software	(56)	(13)	-	(69)
Equipment	(489)	(42)	15	(516)
Infrastructure	(4,391)	(317)	-	(4,708)
Total accumulated depreciation	<u>(5,541)</u>	<u>(426)</u>	<u>21</u>	<u>(5,946)</u>
Total capital assets being depreciated, net	<u>4,499</u>	<u>(14)</u>	<u>(18)</u>	<u>4,467</u>
Capital assets, net	<u>\$ 6,717</u>	<u>\$ 591</u>	<u>\$ (357)</u>	<u>\$ 6,951</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.

The accumulated depreciation beginning balances for Intangible-Software and Equipment are restated \$2 million due to a prior year error in classifying the note disclosure impact of an audit adjustment. This restatement nets to zero in the above table and has no financial statement impact as both accounts are reported in Equipment, Net of Depreciation on the Statement of Net Position.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 31	\$ -	\$ -	\$ 31
Construction in progress	82	46	(32)	96
Total capital assets not being depreciated	<u>113</u>	<u>46</u>	<u>(32)</u>	<u>127</u>
Capital assets being depreciated:				
Buildings	1,088	2	(2)	1,088
Equipment	100	5	(3)	102
Infrastructure	801	24	-	825
Total capital assets being depreciated	<u>1,989</u>	<u>31</u>	<u>(5)</u>	<u>2,015</u>
Less accumulated depreciation for:				
Buildings	(317)	(32)	-	(349)
Equipment	(64)	(7)	2	(69)
Infrastructure	(386)	(27)	1	(412)
Total accumulated depreciation	<u>(767)</u>	<u>(66)</u>	<u>3</u>	<u>(830)</u>
Total capital assets being depreciated, net	<u>1,222</u>	<u>(35)</u>	<u>(2)</u>	<u>1,185</u>
Capital assets, net	<u>\$ 1,335</u>	<u>\$ 11</u>	<u>\$ (34)</u>	<u>\$ 1,312</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), 100.5 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	\$ 11
Education	9
Health and Human Services	4
Law and Justice	3
Natural Resources	5
Development	1
Public Protection	26
Transportation	335
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>31</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 425</u>
Business-type Activities	
Enterprise	<u>\$ 66</u>

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. Intangibles are reported separately in the notes to the financial statements; however, on the face of the financial statements, intangibles are grouped with the asset class they most resemble. Software and Right of Use are grouped with equipment. Library and media are also grouped with Equipment. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2014 (in millions):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 106	\$ 4	\$ -	\$ 110
Museum collections	6	1	-	7
Construction in progress	615	406	(146)	875
Total capital assets not being depreciated	<u>727</u>	<u>411</u>	<u>(146)</u>	<u>992</u>
Capital assets being depreciated/depleted:				
Intangible - Software	1	-	-	1
Intangible - Right of Use	21	-	-	21
Land	4	-	-	4
Library and Media	56	1	-	57
Buildings	1,788	90	(16)	1,862
Equipment	631	26	(60)	597
Infrastructure	1,417	41	-	1,458
Total capital assets being depreciated/depleted	<u>3,918</u>	<u>158</u>	<u>(76)</u>	<u>4,000</u>
Less accumulated depreciation/depletion for:				
Intangible - Software	(1)	-	-	(1)
Intangible - Right of Use	(5)	(1)	-	(6)
Library and Media	(44)	(1)	-	(45)
Buildings	(879)	(59)	8	(930)
Equipment	(369)	(35)	27	(377)
Infrastructure	(588)	(49)	-	(637)
Total accumulated depreciation/depletion	<u>(1,886)</u>	<u>(145)</u>	<u>35</u>	<u>(1,996)</u>
Total capital assets being depreciated/depletion, net	<u>2,032</u>	<u>13</u>	<u>(41)</u>	<u>2,004</u>
Capital assets, net	<u>\$ 2,759</u>	<u>\$ 424</u>	<u>\$ (187)</u>	<u>\$ 2,996</u>

University of Alaska art and museum collections, which are capitalized but not depreciated, 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.

Beginning balances for the discretely presented component units have been restated. In FY 14, the University of Alaska identified that library collections should have been depreciated using a useful life of 20 years. In FY 13, the Alaska Railroad Corporation purchased an ERP accounting system that allowed for an improved capital asset identification and classification between asset classes.

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 14 totaling \$1,287 thousand and \$1,684 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.

The State issued bond anticipation notes during FY 14 totaling \$170.0 million that will mature in FY 15.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2014 is as follows (in thousands):

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Bond Anticipation Notes	\$ 149,645	\$ 170,000	\$ 149,645	\$ 170,000

The Series 2013C Bond Anticipation Notes (BAN) were issued for the purpose of paying \$149.6 million of the costs of State transportation projects. The 2014 BAN were issued for the purpose of refunding the 2013C BAN and additional costs of State transportation projects.

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for Governmental Activities for the fiscal year ended June 30, 2014 (in thousands):

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 403,046	\$ 1,159	\$ 13,084	\$ 391,121	\$ 8,502
General obligation debt	742,501	-	50,781	691,720	38,358
Notes payable	-	3,300	-	3,300	629
Capital leases payable	341,765	13,842	26,190	329,417	25,878
Unearned revenue	397,181	8,719	73,201	332,699	32,851
Certificates of participation	4,910	-	1,565	3,345	1,625
Compensated absences	176,360	164,161	162,158	178,363	161,341
Claims and judgments	110,594	71,040	40,091	141,543	45,617
Pollution Remediation	99,285	3,815	24,900	78,200	8,664
Other noncurrent liabilities	991	123	-	1,114	615
Total	<u>\$ 2,276,633</u>	<u>\$ 266,159</u>	<u>\$ 391,970</u>	<u>\$ 2,150,822</u>	<u>\$ 324,080</u>

Beginning balance for general obligation debt was restated due to the correction of an error accounting for the 2013C BAN as a long-term liability when it should have been reported as a short-term liability. Note 3 provides additional information on prior period adjustments.

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.

The following table summarizes changes in long-term liabilities for Business-type Activities for the fiscal year ended June 30, 2014 (in thousands):

Business-type Activities	Beginning	Increases	Decreases	Ending	Amounts Due
	Balance			Balance	Within One Year
Revenue bonds payable	\$ 565,029	\$ -	\$ 51,344	\$ 513,685	\$ 15,860
Unearned revenue	1,462	9	-	1,471	1,471
Compensated absences	4,638	3,738	3,905	4,471	3,949
Pollution Remediation	1,253	-	60	1,193	50
Total	<u>\$ 572,382</u>	<u>\$ 3,747</u>	<u>\$ 55,309</u>	<u>\$ 520,820</u>	<u>\$ 21,330</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, 2014, 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>
2015	\$ 38.3	\$ 29.7	\$ 68.0
2016	39.5	28.3	67.8
2017	40.9	26.7	67.6
2018	42.7	24.8	67.5
2019	44.5	22.9	67.4
2020-2024	159.4	90.8	250.2
2025-2029	146.8	55.3	202.1
2030-2034	131.0	18.4	149.4
2035-2039	-	1.6	1.6
Total debt service requirements	643.1	<u>\$ 298.5</u>	<u>\$ 941.6</u>
Unamortized bond premium	48.6		
Total principal outstanding	<u>\$ 691.7</u>		

The General Obligation Bond Series 2009A Bonds were issued for the purpose of paying \$165 million of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying \$164.57 million of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding \$191.41 million on the 2003A Series Bonds. The Series 2013 A and B Bonds were issued for the purpose of paying \$162.48 million of the costs of State education projects.

Federal subsidies related to the interest payments made during the year on the bonds were \$4.8 million.

At June 30, 2014, the amount of General Obligation Bonds authorized was \$1,012.1 million with \$697.5 million issued. Of the amount issued, \$170.0 million is short-term Bond Anticipation Notes. General Obligation Bonds authorized but not issued at June 30, 2014 was \$314.6 million.

REVENUE BONDS

As of June 30, 2014, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 8.5	\$ 18.5	\$ 15.9	\$ 24.3
2016	14.3	18.2	16.7	23.6
2017	12.0	17.5	18.7	22.8
2018	7.2	17.0	25.1	21.7
2019	7.9	16.6	26.4	20.4
2020-2024	45.0	77.2	150.4	80.8
2025-2029	41.2	66.0	185.6	36.2
2030-2034	49.3	55.4	50.6	9.2
2035-2039	63.0	41.8	13.7	0.9
2040-2044	85.9	23.9	-	-
2045-2049	54.2	128.4	-	-
Total debt service requirements	388.5	\$ 480.5	503.1	\$ 239.9
Unamortized bond (discounts)/premiums	(4.9)		10.5	
Plus accreted value	7.5		-	
Total principal outstanding	\$ 391.1		\$ 513.6	

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 Position.

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, 2014 includes \$353.2 million in principal, \$468.8 million in interest, \$7.0 million in unamortized discount, and \$7.5 million in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing 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 \$35.3 million in principal, \$11.7 million in interest, and \$2.1 million in unamortized premium.

International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund. Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports Revenue Bonds. 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. No International Airports Revenue Bonds were refunded during FY 14. At June 30, 2014 there was no bond interest arbitrage rebate liability. Federal subsidies related to the interest payments made during the year on Build American Bonds were \$430 thousand. International Airports Revenue Bond total at year end includes \$503.1 million in principal, \$239.9 million in interest and \$10.5 million in unamortized premium.

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
2015	\$ 39.0	\$ 25.8	\$ 17.4	\$ 43.2
2016	31.6	22.8	16.1	38.9
2017	25.3	21.2	15.0	36.2
2018	21.3	18.2	14.0	32.2
2019	16.1	18.3	52.9	71.2
2020-2024	27.3	86.6	37.1	123.7
2025-2029	3.3	73.1	12.1	85.2
2030-2034	1.6	63.4	-	63.4
2035-2039	0.2	-	-	-
2040-2044	0.2	-	-	-
2045-2049	0.2	-	-	-
2050-2054	0.2	-	-	-
2055-2059	0.2	-	-	-
2060-2064	2.0	-	-	-
Total	<u>\$ 168.5</u>	<u>\$ 329.4</u>	<u>\$ 164.6</u>	<u>\$ 494.0</u>

Leases at June 30, 2014 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, 2014 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 461,599	\$ -
Equipment	8,195	-
Less: Accumulated Depreciation	(87,678)	-
	<u>\$ 382,116</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, 2014 (in millions):

<u>Governmental Activities</u> Year Ending June 30	<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1.6	\$ 0.2	\$ 1.8
2016	1.7	0.1	1.8
Total	<u>\$ 3.3</u>	<u>\$ 0.3</u>	<u>\$ 3.6</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>
2015	\$ 196.1	\$ 155.3	\$ 351.4
2016	201.2	148.1	349.3
2017	213.6	141.1	354.7
2018	194.3	133.5	327.8
2019	181.1	125.9	307.0
2020-2024	860.5	514.0	1,374.5
2025-2029	753.1	342.0	1,095.1
2030-2034	641.5	184.1	825.6
2035-2039	408.1	75.8	483.9
2040-2044	288.6	16.1	304.7
2045-2049	18.4	2.1	20.5
Total debt service requirements	3,956.5	<u>\$ 1,838.0</u>	<u>\$ 5,794.5</u>
Unamortized (discounts)/premiums	49.2		
Unamortized swap termination penalty	(14.0)		
Total principal outstanding	<u>\$ 3,991.7</u>		

The preceding table does not include \$810 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 rate 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 Position, 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 swaps' fair value. As of June 30, 2014, 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, 2014, 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/A2
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	A+/Aa3
E021A1 ²	10/9/2008	2.9800%	70% of 3M LIBOR ⁵	6/1/2032	AAA/Aa2
E021A2	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	A+/Aa3
SC02C ³	12/5/2002	4.3030%	SIFMA ⁶ +0.115%	7/1/2022	A+/Aa3
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa2
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa3
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A/A2
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa2
E091ABD	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	A+/Aa3

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, 2014, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2014	Fair Values June 30, 2013	Change in Fair Values
GP01A	\$ 53,455	\$ 56,808	\$ (3,353)	\$ (3,088)	\$ (265)
GP01B	65,320	78,423	(13,103)	(13,753)	650
E021A1	41,920	46,115	(4,195)	(4,106)	(89)
E021A2	75,785	79,876	(4,091)	(5,011)	920
SC02C	50,760	56,741	(5,981)	(7,102)	1,121
E071AB	143,622	175,034	(31,412)	(30,462)	(950)
E071BD	95,748	116,325	(20,577)	(19,956)	(621)
E091A	72,789	89,309	(16,520)	(15,961)	(559)
E091B	72,789	89,250	(16,461)	(15,893)	(568)
E091ABD	97,052	118,535	(21,483)	(20,738)	(745)
Total	<u>\$ 769,240</u>	<u>\$ 906,416</u>	<u>\$(137,176)</u>	<u>\$(136,070)</u>	<u>\$ (1,106)</u>

As of June 30, 2014, 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
2015	\$ 13,175	\$ 760	\$ 26,836	\$ 40,771
2016	13,745	752	26,362	40,859
2017	16,765	745	25,867	43,377
2018	20,040	729	25,218	45,987
2019	20,950	710	24,495	46,155
2020-2024	143,580	3,209	108,336	255,125
2025-2029	157,395	2,542	82,815	242,752
2030-2034	158,320	1,766	54,818	214,904
2035-2039	159,220	944	27,174	187,338
2040-2043	66,050	130	3,112	69,292
	<u>\$ 769,240</u>	<u>\$ 12,287</u>	<u>\$ 405,033</u>	<u>\$ 1,186,560</u>

Interest Rate Risk

AHFC is exposed to interest rate risk on all of its interest rate swaps. As the London Interbank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association (SIFMA) index decreases, AHFC's net payment on the swaps increases.

Credit Risk

As of June 30, 2014, AHFC is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes 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 33.6 percent of the total notional amount of the swaps is held with one counterparty rated AAA/Aa2. Another 31.7 percent of the total notional amount of the swaps is held with another counterparty rated A+/Aa3. Of the remaining swaps, another counterparty is also rated A+/Aa3, another counterparty is rated A/A2, and the remaining counterparty is also rated A/A2, approximating 18.3 percent, 9.5 percent, and 6.9 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, 2014, SIFMA was 0.06 percent and 1 month LIBOR was 0.1552 percent, resulting in a SIFMA/LIBOR ratio of 38.7 percent. The 3 month LIBOR was 0.2307 percent resulting in a SIFMA/LIBOR ratio of 26.0 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 \$22.2 million to the counterparties. AHFC replaced the 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. An additional payment of \$150 thousand was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

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, 2014, 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	A+/Aa3

The change in fair value of the investment derivatives as of June 30, 2014, 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, 2014	Fair Values June 30, 2013	Change in Fair Values
SC02B	\$ 14,555	\$ 17,083	\$ (2,528)	\$ (2,565)	\$ 37

Credit Risk

As of June 30, 2014, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement 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 A+/Aa3.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

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, the Teacher's Retirement System – Defined Benefit (TRS-DB), and the Judicial Retirement System (JRS) 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 ARHCT. 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, 2014 the number of PERS participating employers was:

State of Alaska	3
Municipalities	75
School Districts	53
Other	<u>25</u>
Total Employers	<u><u>156</u></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, 2014 was capped at 22 percent of compensation.

The state's contributions to PERS-DB for the fiscal years ended June 30, 2014, 2013 and 2012 were \$248.2, \$244.9, and \$201.2 million respectively for the year. For the FY 14 contributions, \$124.0 million was for pensions and \$124.2 million was for postemployment benefits. The contributions were equal to the required contributions in FY 14.

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 14 SLA 2013 appropriated \$312.5 million from the General Fund to the PERS-DB as an additional state contribution for FY 14. The portion of this payment attributable to State of Alaska employers is \$186.3 million, of which \$105.4 million is for pensions and \$80.9 million 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 Schedule of Required Contributions follows (in thousands):

Year ended June 30	Actuarial valuation year ended June 30	Annual required contributions			Total percentage contributed
		Pension	Postemployment healthcare	Total	
2011	2008	\$ 220,419	\$ 525,075	\$ 745,494	71.4%
2012	2009	351,674	498,433	850,107	73.6
2013	2010	382,889	612,792	995,681	62.6

The components of the net pension liability of the participating employers at June 30, 2014, were as follows:

Total Pension Liability	\$ 12,395,578
Plan Fiduciary Net Position	<u>7,731,438</u>
Employers' Net Pension Liability (Asset)	<u>\$ 4,664,140</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.37%

The following presents the net pension liability of the System calculated using the discount rate of 8 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability (Asset)	\$ 6,115,582	\$ 4,664,140	\$ 3,441,889

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 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, and JRS Plans. Due to the establishment of the 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 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 the ARHCT 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 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, 2014 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.

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, 2014 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, 2014, 2013, and 2012 were \$5.1, \$5.3, and \$5.7 million respectively, equal to the required contributions for each year. For the FY 14 contributions, \$2.7 million was for pensions and \$2.4 million was for postemployment benefits. The contributions were equal to the required contributions in FY 14.

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 ARMB for that fiscal year.

Chapter 14 SLA 2013 appropriated \$316.8 million from the General Fund to the TRS-DB as an additional state contribution for FY 14. The portion of this payment attributable to State of Alaska employers is \$18,885 thousand, of which \$12,450 thousand is for pensions and \$6,435 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 Schedule of Required Contributions follows (in thousands):

Year ended June 30	Actuarial valuation year ended June 30	Annual required contributions			Total percentage contributed
		Pension	Postemployment healthcare	Total	
2011	2008	\$ 167,978	\$ 167,686	\$ 335,664	77.3%
2012	2009	229,509	192,700	422,209	65.4
2013	2010	259,786	330,411	590,197	44.0

The components of the net pension liability of the participating employers at June 30, 2014, were as follows:

Total Pension Liability	\$ 6,770,201
Plan Fiduciary Net Position	<u>3,771,139</u>
Employers' Net Pension Liability (Asset)	<u>\$ 2,999,062</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.70%

The following presents the net pension liability of the System calculated using the discount rate of 8 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability (Asset)	\$ 3,776,983	\$ 2,999,062	\$ 2,346,163

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 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, and JRS Plans. Due to the establishment of the 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.

Senate Bill 123 was passed during the 2007 legislative session and which created the 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, 2014, was 73.28 percent of compensation. Total contributions for FY 14 were \$8.7 million for pensions, and \$1.1 million for postemployment benefits.

The Schedule of Required Contributions follows (in thousands):

Year ended June 30	Actuarial valuation year ended June 30	Annual required contributions			Pension percentage contributed	Postemployment healthcare percentage contributed
		Pension	Postemployment healthcare	Total		
2011	2012	\$ 3,896	\$ 723	\$ 4,619	98.5%	80.1%
2012	2012	5,052	713	5,765	107.3	97.8
2013	2013	5,186	466	5,652	79.9	2.6

Included in the total contributions amounts above is \$4.5 million appropriated in Chapter 14 SLA 2013 from the General Fund to JRS as an additional state contribution for FY 14 for the purpose of funding the retirement system.

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
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%)
2012	20,836	18,236	(2,600)	114.3%	11,803	(22.0%)

The actuarial roll forward of the valuation dated June 30, 2010 set the contribution rates for the year ended June 30, 2014. The State of Alaska's net pension and other postemployment benefit (OPEB) obligations for FY 14 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	\$ 5,186	\$ 467
Interest on net pension asset	(189)	(63)
Adjustment to annual required contribution	166	55
Annual Pension Cost (APC)/OPEB Cost (AOC)	5,163	459
Contributions Made	(8,682)	(1,061)
Increase in Obligation	(3,519)	(602)
Net Pension Obligation/(Asset) Beginning of Year	(2,360)	(785)
Net Pension Obligation/(Asset) End of the Year	<u>\$ (5,879)</u>	<u>\$ (1,387)</u>

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

Pension	Year Ended June 30	APC	Percentage	Net
			of APC Contributed	Pension Obligation /(Asset)
	2012	\$ 5,255	96.0%	\$ 1,751
	2013	5,054	153.5%	(2,494)
	2014	5,163	168.2%	(5,879)

OPEB	Year Ended June 30	AOC	Percentage	Net OPEB
			of AOC Contributed	Obligation /(Asset)
	2012	\$ 1,441	67.5%	\$ 1,110
	2013	710	164.7%	(785)
	2014	459	231.2%	(1,387)

The components of the net pension liability of the participating employers for the Plan at June 30, 2014, were as follows:

Total Pension Liability	\$ 201,397,651
Plan Fiduciary Net Position	<u>139,547,440</u>
Employers' Net Pension Liability (Asset)	<u>\$ 61,850,211</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.29%

The following presents the net pension liability of the System calculated using the discount rate of 8 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability (Asset)	\$ 84,067,949	\$ 61,850,211	\$ 43,000,097

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.

The actuarial roll forward of the valuation dated June 30, 2010 set the contribution rates for the year ended June 30, 2014. The State of Alaska's net pension obligation for FY 14 follows:

Annual Required Contribution	\$ 474,791
Interest on net pension asset	(31,705)
Adjustment to annual required contribution	<u>70,889</u>
Annual Pension Cost (APC)	513,975
Contributions Made	<u>(740,100)</u>
Increase/(Decrease) in Net Pension Asset	(226,125)
Net Pension Obligation/(Asset) Beginning of Year	<u>(452,930)</u>
Net Pension Obligation/(Asset) End of the Year	<u><u>\$ (679,055)</u></u>

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	\$ 896	100.0%	\$ (159)
2013	431	171.3%	(453)
2014	475	144.0%	(679)

The components of the net pension liability of the participating employers for the plan at June 30, 2014, were as follows:

Total Pension Liability	\$ 35,311,535
Plan Fiduciary Net Position	<u>37,467,105</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ (2,155,570)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.10%

The following presents the net pension liability of the System calculated using the discount rate of 7 percent, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current discount rate (7%)	1% Increase (8%)
Net pension liability (Asset)	\$ (450,532)	\$ (2,155,570)	\$ (3,686,221)

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	\$14,668,741
Teachers' Retirement System	6,035,450
Judicial Retirement System	165,840
Alaska National Guard and Alaska Naval Militia Retirement System	37,556

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 is as of the most recent valuation report date.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>
	6/30/14	6/30/14	6/30/14	6/30/12
Inactive plan members or beneficiaries currently receiving benefits	30,376	11,726	108	608
Inactive plan members entitled to but not yet receiving benefits	18,500	3,162	3	1,308
Current active employees	19,474	5,995	75	4,397
Total	<u>68,350</u>	<u>20,883</u>	<u>186</u>	<u>6,313</u>

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	17 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.	6/30/2013
TRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay Normal Cost Basis for pension; level dollar Normal Cost for healthcare	Level dollar, closed	17 years	6.11% for first 5 years of service grading down to 3.62% after 20 years	6/30/2013
JRS	8% Includes Inflation at 3.12%	Entry age normal; level percentage of pay Normal Cost Basis for pension; level dollar Normal Cost Basis for healthcare	Level dollar, closed	20 years	4.12%	6/30/2012
NGNMRS	7% Includes Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	7/1/2013
<u>Health Care Inflation</u>						
			<u>Medical Pre-65</u>	<u>Medical Post-65</u>	<u>Rx</u>	
For all systems above		FY14	8.70%	6.40%	6.30%	
(excluding NGNMR):		FY15	8.50%	6.30%	6.20%	

For PERS assets are at fair value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. For 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 are valued at a five year smoothing asset valuation method.

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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

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, 2014, there were 158 employers participating in PERS-DCR. There were 16,210 active members, of which 14,882 are general employees and 1,328 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 14 for each member's compensation was 0.48 percent for medical coverage and 0.20 percent for death and disability (1.14 percent for peace officers and firefighters). HRA is \$158.06 per month for full time employees and \$1.22 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2014 by the employees were \$35,161 thousand and the State of Alaska employers were \$21,976 thousand. The PERS other postemployment contributions for the year ended June 30, 2014 were \$16,788 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, 2014 is \$704,965 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, 2014, there were 58 employers participating in TRS-DCR. There were 3,650 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 RMP and HRA. The TRS 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 14 for each member's compensation was 0.47 percent for medical coverage, zero percent for death and disability. HRA is \$158.06 per month for full-time employees and \$1.22 per hour for part-time employees.

The TRS pension contributions for the year ended June 30, 2014 by the employees were \$576 thousand and the State of Alaska employers were \$504 thousand. The TRS other postemployment contributions for the year ended June 30, 2014 were \$236 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, 2014 is \$282,865 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 June 30, 2014, there were 22 other employers participating in SBS. There were 42,828 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 ended June 30, 2014, were \$74,867 thousand. The State's covered payroll was approximately \$1,221,314 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 ended June 30, 2014, were \$2,801 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 June 30, 2014. 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.

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 June 30, 2014 the Deferred Compensation Plan had approximately 10,500 participants.

As a result of the passage of The Small Business Job Protection Act of 1996 (SBJPA), all amounts deferred, including amounts deferred before the effective date of the 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 record-keeping. 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 June 30, 2014 were \$796,592 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, 2014, 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	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Other	
General Fund	\$ -	\$ 2,036	\$ 53	\$ 921	\$ 6,373	\$ 30,492	\$ 41,511	\$ 81,386
Alaska Permanent Fund	1,266,763	-	-	-	-	-	-	1,266,763
Nonmajor								
Governmental Funds	42,006	8	-	-	-	-	-	42,014
International Airports	28,650	-	-	-	-	-	-	28,650
Nonmajor								
Enterprise Funds	2,047	-	-	-	-	-	-	2,047
Internal Service Funds	1,263	-	-	-	-	-	-	1,263
Fiduciary Funds	13,392	-	-	-	-	-	-	13,392
Other	-	-	-	-	-	-	-	-
Total	<u>\$1,354,121</u>	<u>\$ 2,044</u>	<u>\$ 53</u>	<u>\$ 921</u>	<u>\$ 6,373</u>	<u>\$ 30,492</u>	<u>\$ 41,511</u>	<u>\$1,435,515</u>

The \$1,266.8 million balance due from the Alaska Permanent Fund to the General Fund includes \$1,200.4 million for payment of 2014 Permanent Fund dividends to qualified residents of the State and \$31.9 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2014 Permanent Fund Dividend Program.

The amounts reported as “Other” represents cash received in FY 15 for a receivable in FY 14 not reported by the Alaska Permanent Fund’s audited financial statements.

INTERFUND TRANSFERS

Transfers From	Transfers to					Total
	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 72,163	\$ 4,335	\$ 39	\$ 16,027	\$ 92,564
Alaska Permanent Fund	1,266,763	-	-	-	-	1,266,763
Nonmajor Governmental Funds	37,468	7,245	-	-	-	44,713
Nonmajor Enterprise Funds	3,747	-	-	-	-	3,747
Total	\$ 1,307,978	\$ 79,408	\$ 4,335	\$ 39	\$ 16,027	\$ 1,407,787

The general purpose for transfers is to move monies from funds required by statute to collect them to the funds required by statute or budget to expend them, to move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments come due, and transfer accumulated surpluses from “Other” funds to the General Fund.

The transfer from Alaska Permanent Fund to the General Fund includes a \$1,200.4 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$31.9 million transfer to the Alaska Capital Income Fund.

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, personnel, data processing, communications and other services to AEA. AIDEA recognized revenue totaling \$8.6 million for providing these services during the year ending June 30, 2014. At June 30, 2014 AIDEA had \$5.9 million receivable from AEA 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. The current loan outstanding balance at June 30, 2014 is \$18,501 thousand.

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, 2014 was approximately \$9 thousand.

Alaska Gasline Development Corporation (AGDC) utilizes certain AHFC administrative and support services and products such as general commercial liability insurance and risk management, employee medical plans, accounting and financial systems and treasury, IS equipment and software, contract support and other administrative services. The total due to AHFC at June 30, 2014 was \$4,696 thousand.

For the year ended December 31, 2013, Alaska Railroad Corporation issued a \$1,940 thousand note payable to the State of Alaska, Department of Transportation and Public Facilities in exchange for real property.

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, 2014, is \$19,159 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2014. 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 14 expended for school debt was \$109,801 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 \$1,157,644 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).

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 (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 14, 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, \$750,000 for marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$1 billion 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, 2013 and June 30, 2014. The State records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.0 percent discount interest rate for FY 13 and a 3.0 percent discount interest rate for FY 14. 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
2013	\$ 92,447,351	\$ 47,239,404	\$ (36,801,179)	\$ 102,885,576
2014	102,885,576	60,080,814	(40,091,359)	122,875,031

D. LITIGATION AND ADMINISTRATIVE APPEALS

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 \$18,141 thousand, with an additional possible liability of \$25,436 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.

The Department of Revenue Oil and Gas Audit Group performs periodic audits of oil and gas companies. Audits may result in additional assessments. Oil and gas companies often choose to pay the additional assessments “under protest” to avoid accruing interest. Because these payments are deposited in the Constitutional Budget Reserve Fund but are still under dispute, the oil and gas audit assessment revenues recognized in the Constitutional Budget Reserve Fund could be adversely affected by a potential refund resulting from an appeals decision issued by the Department of Revenue’s Appeals Group. The amount of potential refund could not be estimated.

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, 2014, 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, 2014, 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 \$90,993 thousand and \$43,329 thousand respectively.

As of June 30, 2014, the Department of Commerce, Community and Economic Development, Division of Investment, identified outstanding loan commitments. Agreements have been entered into, yet funds have not yet been disbursed. The open loan commitments include the Alaska Commercial Fishing Revolving Loan Fund for \$1,276 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for \$5,008 thousand, and the Alaska Bulk Fuel Loan Program for \$7,387 thousand.

At June 30, 2014, the Alaska Energy Authority had open loan commitments of \$8,968 thousand.

At June 30, 2014, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments of \$30.8 million, loan guarantees of \$1.2 million, and extended commitments to fund borrowings not to exceed \$23.1 million from the Sustainable Energy Transmission and Supply Development Fund.

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. AIDEA can guarantee only loans AIGA needs to meet cash flow needs up to a maximum of \$30 million in outstanding principal balance at any time. No guarantees have been made pursuant to this authorization.

H. POTENTIAL DEVELOPMENT PROJECTS

The Alaska Gasline Development Corporation (AGDC) entered into an agreement where \$4,658 thousand would become due and payable when (a) the State awards permits, work product, and other results of the North Slope to Tidewater Preliminary Development Project to a Qualified Builder (other than a public corporation owned by the State); or (b) the State determined it will construct the North Slope to Tidewater pipeline itself, either through a public corporation owned by the State or otherwise, and (i) the Legislature of the State of Alaska appropriates some or all of the funding for the North Slope to Tidewater Development and Construction Expenses, or (ii) bonds are issued by the State or a public corporation owned by the State intended to finance some or all of the North Slope to Tidewater Development and Construction Expenses.

The AGDC entered into a Joint Venture Agreement effective July 1, 2014, with affiliates of ExxonMobil, BP, ConocoPhillips, and TransCanada Corporation, for a proposed Alaska Liquefied Natural Gas (AK LNG) project. The project

is to jointly fund and conduct Pre Front End Engineering (Pre-FEED) work consisting of engineering, design, permitting and related studies for a North Slope treatment plant, large-diameter pipeline from the North Slope to Nikiski and liquefied natural gas plant and marine terminal at Nikiski. Costs of the overall project are estimated to be \$45 billion to \$65 billion and the estimated export of LNG is 15 million to 18 million tons per year. Under the agreement, the AGDC would contribute \$31 million and \$22.4 million in FY 15 and FY 16, respectively, to carry out the Pre-FEED work for the AK LNG project.

I. 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.	\$ 10,048	\$ 4,123	\$ 112	\$ 22
Private Equity				
To be paid through 2024.	-	-	7,735	-
To be paid through 2022.	694,103	284,783	-	-
Energy				
To be paid through 2023.	72,039	29,557	803	-
Real Estate				
To be paid through 2024.	310,920	123,748	3,151	-
	<u>\$ 1,087,110</u>	<u>\$ 442,211</u>	<u>\$ 11,801</u>	<u>\$ 22</u>

J. 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 one fund.

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 the 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, 2013, the General Fund had pollution remediation obligations of \$99,285 thousand. As of June 30, 2014, the State had an increase to the obligation of \$3,815 thousand and recognized a decrease of \$24,900 thousand, for an ending balance of \$78,200 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of \$21,635 thousand from other responsible parties.

At July 1, 2013, the International Airports Fund (IAF) reported pollution remediation liabilities of \$1,253 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2014 IAF had recognized a decrease of \$60 thousand, and no increase for an ending balance of \$1,193 thousand. IAF has an identified \$30 thousand expected to be collected from third parties. 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 17 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, 2012, the Alaska Railroad Corporation had pollution remediation obligations of \$1,385 thousand. As of December 31, 2013, the Alaska Railroad Corporation had additional obligations of \$1,455 thousand and reductions in obligations of \$367 thousand, for an ending liability of \$2,473 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.

K. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations. The following shows encumbrances within the governmental funds for the fiscal year ended June 30, 2014 (in thousands):

	Amount <u>(in thousands)</u>
General Fund	\$ 1,570,690
Special Revenue Funds	39,805
Capital Project Funds	<u>148,450</u>
Total Encumbrances	<u>\$ 1,758,945</u>

A review of the appropriations with encumbrance balances over \$5 million were identified and analyzed below:

The Department of Commerce, Community and Economic Development administers grants to municipalities and named recipients which total \$459.2 million of which \$352.2 million is in the General Fund, \$91.0 million is within Capital Project Funds, and \$16.0 million is within Special Revenue Funds. These projects are funded by the general funds, investment income from a settlement, gambling tax revenues, bond proceeds, funding from a component unit, and oil and gas lease revenues.

The Department of Administration, Department of Education and Early Development, Department of Health and Social Services, Department of Labor and Workforce Development, Department of Military and Veterans Affairs, and the Department of Transportation and Public Facilities have several construction/maintenance projects underway totals \$280.1 million of which \$245.5 million is in the General Fund and \$34.6 million are Capital Project Funds. These projects are funded by a mixture of general funds and bond proceeds.

The Department of Administration and the Department of Revenue have information technology projects underway within the General Fund totaling \$44.0 million funded by general fund resources and the State’s master lease letter of credit.

L. EFFECTS OF MEDICAID INFORMATION SYSTEM DEFECTS

October 1, 2013 the Department of Health and Social Services (DHSS) legacy Medicaid system was replaced by the Alaska Health Enterprise (AHE) system. After the system went live, it was discovered that AHE had numerous system defects affecting every area of AHE operations. Due to the complexity of claim pricing, the total amount affected by AHE system defects cannot be reasonably estimated before the defects are corrected.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to year end, the Alaska Municipal Bond Bank Authority issued a preliminary statement for the 2014 Series Three general obligation and refunding bonds issue in the approximate par amount of \$58 million. Final issuance is expected to take place in October 2014.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2014 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 15 in an amount not to exceed \$1,602 thousand. Although this transaction has not yet been finalized, the issuance of the bonds will occur in mid-FY 15. 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 2014 session of the Alaska Legislature, plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 15 in an amount not to exceed \$1,692 thousand. Although this transaction has not yet been finalized, the issuance of the bonds will occur in mid-FY 15. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA HOUSING FINANCE CORPORATION (AHFC)

On August 27, 2014, AHFC issued \$140 million State Capital Project Bonds II, 2014 Series C. The bonds are general obligation bonds of AHFC. The 2014 Series C bonds are federally taxable and bear interest at a floating rate equal to a money market reference rate, like LIBOR, plus a quoted spread, payable each June 1 and December 1, commencing on December 1, 2014. The bonds have a final maturity date of December 1, 2029.

In November 2014, AHFC issued \$78.1 million State Capital Project Bonds II, 2014 Series D. The bonds are general obligations bonds of AHFC. The 2014 Series D bonds are tax exempt and bear interest at fixed rates between two and five percent payable each June 1 and December 1 with final maturity of June 1, 2029.

In October 2014, AHFC made the commitment to issue up to \$14.7 million of Tax Exempt Direct Purchase Bonds, Series 2014 (ANC MV Phase I Limited Partnership project) with \$100 thousand being issued at that time. AHFC issued this debt to assist ANC MV Phase I Limited Partnership with the construction of facilities that will help AHFC fulfill its mission of making housing affordable for all Alaskans. AHFC's component unit Alaska Corporation for Affordable Housing is a partner of ANC MV Phase I Limited Partnership. Neither AHFC nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds and any related assets are not reported as assets or liabilities in AHFC's financial statements.

E. ALASKA AEROSPACE CORPORATION (AAC)

On August 25, 2014, a failure occurred on the launch vehicle within seconds of launch at AAC's rocket launch facility on Kodiak Island. The vehicle was destroyed per well-defined safety requirements, resulting in destruction of the launch vehicle shortly after leaving the launch pad causing extensive damage to AAC's rocket launch facility. There were no injuries, and the vehicle debris was contained on Kodiak Launch Complex property.

The emergency plan was implemented, and access was restricted to the affected areas of the Narrow Cape area. The Explosive Ordinance Detachment team from Joint Base Elmendorf/Richardson was notified and mobilized immediately. Failure notifications were made directly to the Governor's office, State Risk Management, and other State agencies such as the Department of Natural Resources and Department of Environmental Conservation. Detailed damage evaluations are in process, and the results will be shared with the Alaska Risk Management office and the customer. Detailed site clean-ups and the environmental assessments are in process by both the customer and the AAC teams. Planning for site recovery and repairs from the mission-related damage are in-process. The overall site is able to be repaired or replaced in time for future missions.

Access to the public areas of Narrow Cape was re-opened on October 10, 2014.

F. STATE OF ALASKA – CERTIFICATES OF PARTICIPATION

On August 26, 2014 the State of Alaska sold a par amount of \$30.9 million of Certificates of Participation (COPs) to fund \$35 million of the Alaska Native Tribal Health Consortium's Alaska Native Medical Center Residential Housing Facility. The COPs are subject to annual appropriation commitment of the State of Alaska for the term of the underlying leases. The COPs have a 15 year level debt service amortization of approximately \$2.9 million per year based on a True Interest Cost of 2.88%. The COP issuance was closed on September 17, 2014 and the first debt service payment will be due on June 1, 2015.

G. STATE OF ALASKA – PENSION CONTRIBUTIONS

The Alaska State Legislature and Governor approved SLA 2014, Chapter 18, Section 48 which appropriated \$3 billion from the Constitutional Budget Reserve Fund, a subfund of the General Fund, to the Public Employees Retirement System and Teachers Retirement System for \$1 billion and \$2 billion respectfully. This is an additional state contribution to these plans for the fiscal year ended June 30, 2015. In July 2014 and November 2014 transfers processed which total \$2 billion. The final \$1 billion transfer is scheduled for March 2015.



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Required Supplementary Information



STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 4,730,848	\$ 4,730,849	\$ 3,234,953	\$ 1,495,896
Licenses and Permits	136,117	138,734	124,275	14,459
Charges for Services	246,417	254,791	184,031	70,760
Fines and Forfeitures	17,992	17,992	16,672	1,320
Rents and Royalties	1,915,346	1,915,662	1,744,768	170,894
Premiums and Contributions	11	12	19,555	(19,543)
Interest and Investment Income	518,730	518,730	1,279,567	(760,837)
Payments In from Component Units	66	66	66	-
Other Revenues	41,564	41,564	34,150	7,414
Restricted:				
Federal Grants in Aid	7,282,945	7,395,328	2,296,280	5,099,048
Interagency	689,004	1,040,305	655,515	384,790
Payments In from Component Units	26,593	27,408	22,512	4,896
Other Revenues	18,510	18,510	862	17,648
Total Revenues	<u>15,624,143</u>	<u>16,099,951</u>	<u>9,613,206</u>	<u>6,486,745</u>
EXPENDITURES				
Current:				
General Government	973,077	963,646	756,870	206,776
Alaska Permanent Fund Dividend	582,544	582,544	570,590	11,954
Education	1,298,176	2,481,034	2,410,154	70,880
University	684,556	691,309	552,243	139,066
Health and Human Services	3,434,620	3,441,906	2,701,777	740,129
Law and Justice	328,044	336,985	309,879	27,106
Public Protection	979,032	1,238,983	1,006,587	232,396
Natural Resources	725,841	780,408	481,282	299,126
Development	1,553,452	1,515,140	956,804	558,336
Transportation	6,860,664	7,317,169	2,941,405	4,375,764
Intergovernmental Revenue Sharing	195,662	267,687	266,290	1,397
Debt Service:				
Principal	36,353	36,353	35,951	402
Interest and Other Charges	228	228	228	-
Total Expenditures	<u>17,652,249</u>	<u>19,653,392</u>	<u>12,990,060</u>	<u>6,663,332</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,028,106)</u>	<u>(3,553,441)</u>	<u>(3,376,854)</u>	<u>(176,587)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	5,166,858	5,330,004	5,329,491	513
Transfers (Out to) Other Funds	(4,043,587)	(4,043,587)	(4,118,282)	74,695
Total Other Financing Sources and Uses	<u>1,123,271</u>	<u>1,286,417</u>	<u>1,211,209</u>	<u>75,208</u>
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	<u>\$ (904,835)</u>	<u>\$ (2,267,024)</u>	<u>(2,165,645)</u>	<u>\$ (101,379)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances Basis Difference			2,413,620	
Perspective Difference			(328,194)	
			<u>(1,570)</u>	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			(81,789)	
Fund Balances - Beginning of Year			22,623,405	
Fund Balances - End of Year			<u>\$ 22,541,616</u>	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2014**

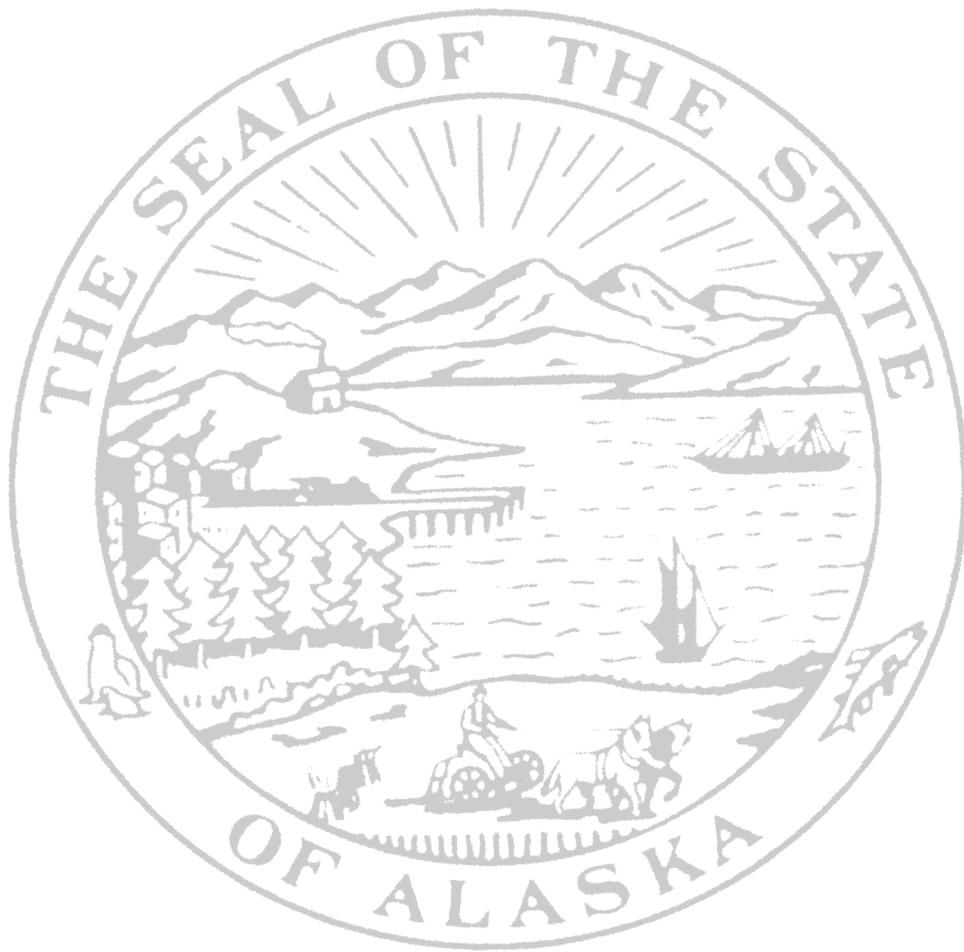
The Budgetary Comparison Schedule – General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The State issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by 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):

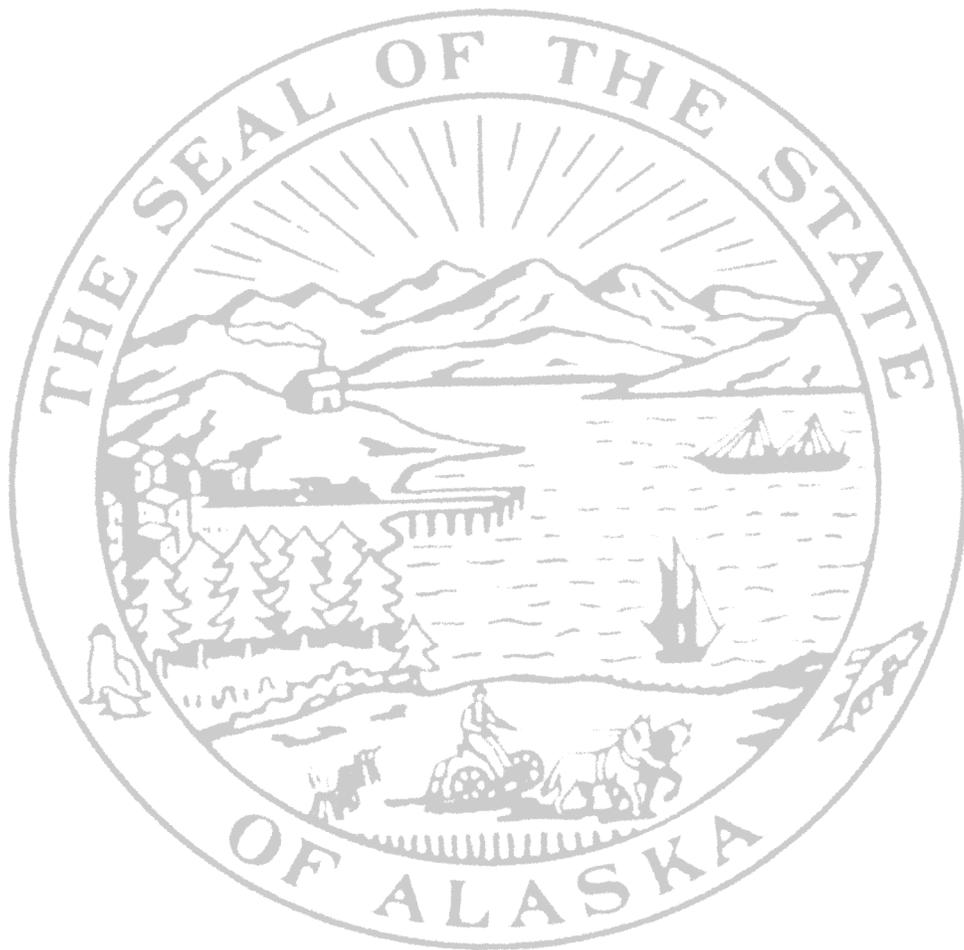
Petroleum Severance Taxes and Royalties	\$ (259,790)
Medical Assistance Program	(67,652)
Working Reserve	396
Tobacco Tax	(3,251)
Alcohol Tax	2,184
Tire Tax	16
Vehicle Rental Tax	322
Commercial Passenger Vessel Excise Tax	(419)
Total General Fund Basis Difference	<u>\$ (328,194)</u>



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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 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 Higher Education Investment Fund (Fund 11195)** – AS 37.14.750 – Administered by the Department of Education and Early Development. This fund consists of appropriations, income earned on investments of fund assets, donations and money redeposited under AS 14.43.915(c). This fund is used for making grants and scholarship payments.
- **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 – 18.60.820 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.
- **Regional Educational Attendance Area School Fund (Fund 11190)** – AS 14.11.030 – Administered by the Department of Education and Early Development for the purpose of funding costs of school construction in regional educational attendance areas.
- **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.



STATE OF ALASKA
 Combining Balance Sheet
 General Fund
 June 30, 2014
 (Stated in Thousands)

STATEMENT 3.01

	General Fund		
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund
ASSETS			
Cash and Investments	\$ 12,779,542	\$ 4,822,658	\$ 20,618
Accounts Receivable - Net	-	-	2,451
Interest and Dividends Receivable	185	-	-
Due from Other Funds	40,343	-	1,234,834
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	-	-
Inventories	-	-	-
Other Assets	-	-	22
Total Assets	<u>\$ 12,820,070</u>	<u>\$ 4,822,658</u>	<u>\$ 1,257,925</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 4,503
Due to Other Funds	13,913	2,031,604	461
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned Revenue	-	-	-
Other Liabilities	-	-	3
Total Liabilities	<u>13,913</u>	<u>2,031,604</u>	<u>4,967</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
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	-	-	1,252,958
Development	-	-	-
Other Purposes	-	-	-
Unassigned	12,806,157	2,791,054	-
Total Fund Balances	<u>12,806,157</u>	<u>2,791,054</u>	<u>1,252,958</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 12,820,070</u>	<u>\$ 4,822,658</u>	<u>\$ 1,257,925</u>

STATEMENT 3.01

Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 1,189,492	\$ 2,820,442	\$ -	\$ 21,632,752
-	382,304	-	384,755
-	270	-	455
-	2,165,318	(2,086,374)	1,354,121
-	6,145	-	6,145
-	471,649	-	471,649
-	16,517	-	16,517
-	17,623	-	17,623
-	202,307	-	202,329
<u>\$ 1,189,492</u>	<u>\$ 6,082,575</u>	<u>\$ (2,086,374)</u>	<u>\$ 24,086,346</u>
\$ -	\$ 853,619	\$ -	\$ 858,122
-	121,782	(2,086,374)	81,386
-	19,081	-	19,081
-	78,759	-	78,759
-	330,675	-	330,675
-	612	-	615
<u>-</u>	<u>1,404,528</u>	<u>(2,086,374)</u>	<u>1,368,638</u>
-	176,092	-	176,092
-	176,092	-	176,092
-	17,623	-	17,623
-	202,330	-	202,330
-	10	-	10
-	14,132	-	14,132
-	577	-	577
-	39,022	-	39,022
-	5,212	-	5,212
-	2,520	-	2,520
1,189,492	1,042,492	-	2,231,984
-	264,873	-	264,873
-	206,500	-	206,500
-	-	-	1,252,958
-	2,388,650	-	2,388,650
-	229,567	-	229,567
-	88,447	-	15,685,658
<u>1,189,492</u>	<u>4,501,955</u>	<u>-</u>	<u>22,541,616</u>
<u>\$ 1,189,492</u>	<u>\$ 6,082,575</u>	<u>\$ (2,086,374)</u>	<u>\$ 24,086,346</u>

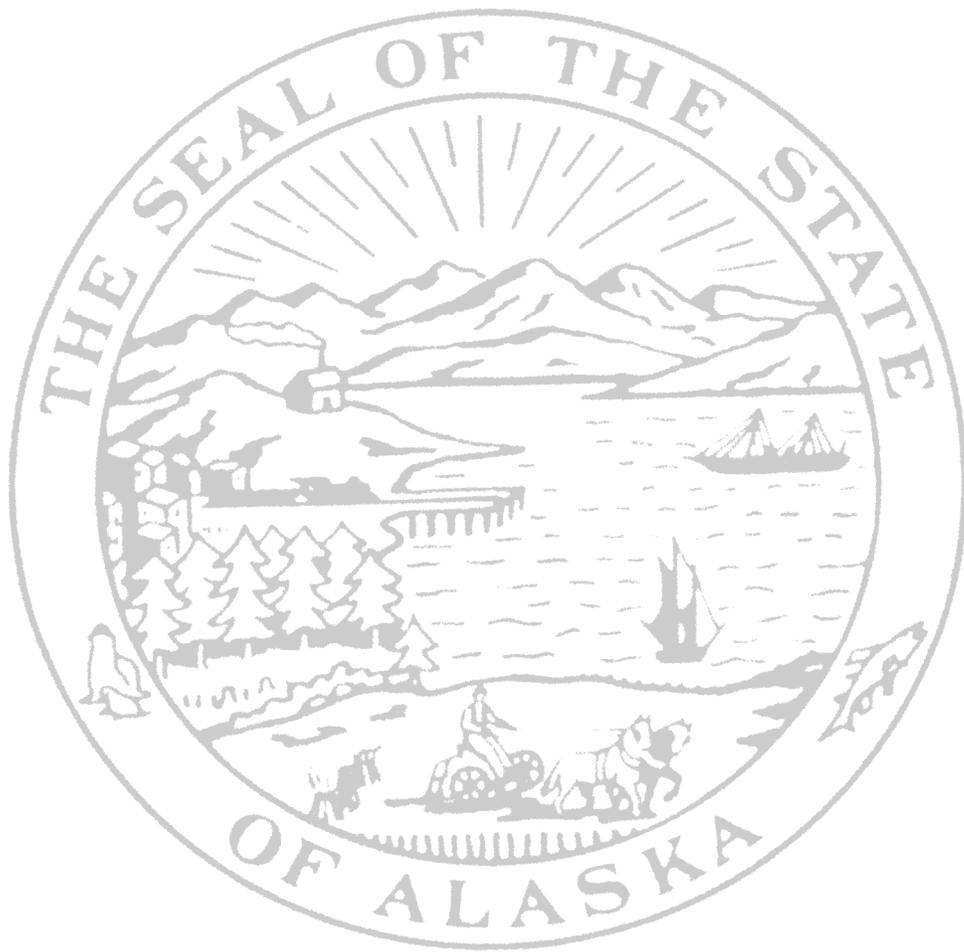
STATE OF ALASKA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 3.02

	General Fund		
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund
REVENUES			
Taxes	\$ 61,281	\$ -	\$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	478
Fines and Forfeitures	1,353	-	143
Rents and Royalties	20,075	-	-
Premiums and Contributions	-	-	-
Interest and Investment Income (Loss)	1,102,856	-	-
Federal Grants in Aid	-	-	-
Payments In from Component Units	-	-	-
Other Revenues	-	-	13
Total Revenues	<u>1,185,565</u>	<u>-</u>	<u>634</u>
EXPENDITURES			
Current:			
General Government	-	-	8,225
Alaska Permanent Fund Dividend	-	-	570,590
Education	-	-	-
University	-	-	-
Health and Human Services	-	-	15,395
Law and Justice	-	-	-
Public Protection	-	-	9,350
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Intergovernmental Revenue Sharing	-	-	-
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>603,560</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,185,565</u>	<u>-</u>	<u>(602,926)</u>
OTHER FINANCING SOURCES (USES)			
Capital Leases	-	-	-
Transfers In from Other Funds	-	-	1,234,834
Transfers (Out to) Other Funds	-	(1,920,358)	(1,116)
Total Other Financing Sources and Uses	<u>-</u>	<u>(1,920,358)</u>	<u>1,233,718</u>
Net Change in Fund Balances	<u>1,185,565</u>	<u>(1,920,358)</u>	<u>630,792</u>
Fund Balances - Beginning of Year	11,620,592	4,711,412	622,166
Fund Balances - End of Year	<u>\$ 12,806,157</u>	<u>\$ 2,791,054</u>	<u>\$ 1,252,958</u>

STATEMENT 3.02

Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ -	\$ 2,893,022	\$ -	\$ 2,954,303
-	124,275	-	124,275
522	183,031	-	184,031
-	15,176	-	16,672
-	1,744,405	-	1,764,480
-	19,555	-	19,555
-	176,711	-	1,279,567
-	2,410,524	-	2,410,524
-	22,578	-	22,578
-	34,999	-	35,012
522	7,624,276	-	8,810,997
-	446,062	-	454,287
-	-	-	570,590
1,189,156	860,771	-	2,049,927
-	551,205	-	551,205
-	2,579,687	-	2,595,082
-	292,586	-	292,586
-	792,217	-	801,567
-	327,738	-	327,738
-	691,420	-	691,420
-	1,474,679	-	1,474,679
-	263,408	-	263,408
-	31,050	-	31,050
-	18,503	-	18,503
1,189,156	8,329,326	-	10,122,042
(1,188,634)	(705,050)	-	(1,311,045)
-	13,842	-	13,842
1,192,511	1,993,503	(3,112,870)	1,307,978
-	(1,283,960)	3,112,870	(92,564)
1,192,511	723,385	-	1,229,256
3,877	18,335	-	(81,789)
1,185,615	4,483,620	-	22,623,405
\$ 1,189,492	\$ 4,501,955	\$ -	\$ 22,541,616



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Nonmajor Governmental Funds



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 3.11

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
ASSETS		
Cash and Investments	\$ 575,010	\$ 206,312
Accounts Receivable - Net	1,062	2,125
Interest and Dividends Receivable	2	-
Due from Other Funds	580	306
Due from Component Units	-	-
Due from Other Governments	-	6,197
Loans, Notes, and Bonds Receivable	65	-
Other Assets	-	29
Total Assets	\$ 576,719	\$ 214,969
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 16	\$ 4,362
Due to Other Funds	-	26,381
Due to Component Units	-	8,333
Unearned Revenue	2,024	-
Interest Payable	-	-
Bond Anticipation Note Payable	-	-
Other Liabilities	1	504
Total Liabilities	2,041	39,580
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	-	584
Total Deferred Inflows of Resources	-	584
FUND BALANCES		
Nonspendable:		
Principal	561,230	-
Restricted for:		
Debt Service	-	-
Education	-	8,042
Health and Human Services	-	15,972
Development	-	34,682
Other Purposes	-	166
Committed to:		
Education	13,448	-
Development	-	115,943
Unassigned	-	-
Total Fund Balances	574,678	174,805
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 576,719	\$ 214,969

STATEMENT 3.11

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 54,066	\$ 229,085	\$ 1,064,473
-	-	3,187
-	33	35
825	333	2,044
-	356	356
-	-	6,197
-	-	65
-	-	29
<u>\$ 54,891</u>	<u>\$ 229,807</u>	<u>\$ 1,076,386</u>
\$ -	\$ 2,447	\$ 6,825
12,043	3,590	42,014
-	-	8,333
-	-	2,024
-	460	460
-	171,122	171,122
-	-	505
<u>12,043</u>	<u>177,619</u>	<u>231,283</u>
-	-	584
-	-	584
-	-	561,230
42,848	-	42,848
-	63,255	71,297
-	-	15,972
-	7,310	41,992
-	-	166
-	-	13,448
-	-	115,943
-	(18,377)	(18,377)
<u>42,848</u>	<u>52,188</u>	<u>844,519</u>
<u>\$ 54,891</u>	<u>\$ 229,807</u>	<u>\$ 1,076,386</u>

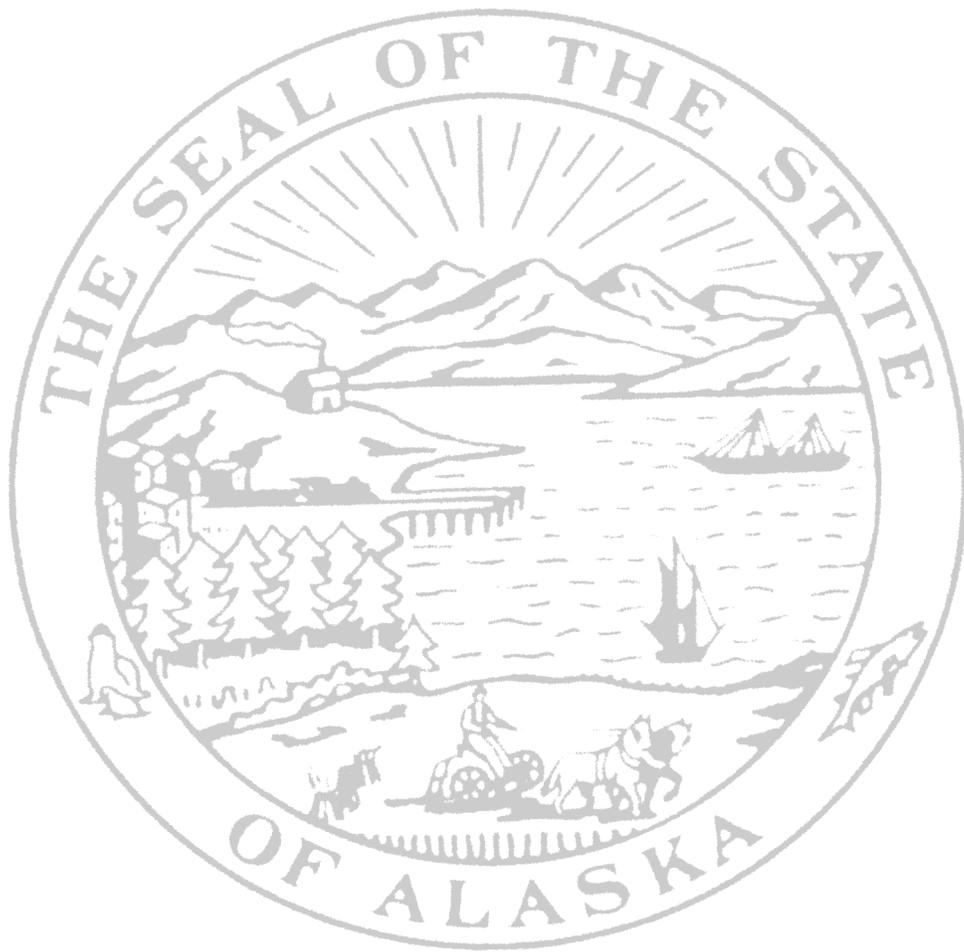
STATE OF ALASKA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 3.12

	Permanent Fund	
	Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	\$ -	\$ 19,545
Licenses and Permits	-	30,716
Charges for Services	-	626
Fines and Forfeitures	9	336
Rents and Royalties	12,760	6,738
Premiums and Contributions	-	5,186
Interest and Investment Income (Loss)	62,524	1,332
Federal Grants in Aid	-	37,014
Other Revenues	-	370
Total Revenues	<u>75,293</u>	<u>101,863</u>
EXPENDITURES		
Current:		
General Government	125	252
Education	10,500	21,051
University	-	-
Health and Human Services	-	4,714
Public Protection	-	96
Natural Resources	42	67,058
Development	-	430,823
Transportation	-	-
Debt Service:		
Principal	-	-
Interest and Other Charges	-	-
Total Expenditures	<u>10,667</u>	<u>523,994</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,626</u>	<u>(422,131)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In from Other Funds	1	4,200
Transfers (Out to) Other Funds	-	(43,303)
Total Other Financing Sources and Uses	<u>1</u>	<u>(39,103)</u>
Net Change in Fund Balances	<u>64,627</u>	<u>(461,234)</u>
Fund Balances - Beginning of Year	510,051	647,234
Prior Period Adjustment	-	(11,195)
Fund Balances - End of Year	<u>\$ 574,678</u>	<u>\$ 174,805</u>

STATEMENT 3.12

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 19,545
-	-	30,716
-	-	626
-	-	345
-	-	19,498
-	-	5,186
99	710	64,665
12,043	-	49,057
25,808	-	26,178
<u>37,950</u>	<u>710</u>	<u>215,816</u>
-	-	377
-	37,406	68,957
-	43,572	43,572
-	-	4,714
-	-	96
-	715	67,815
-	-	430,823
-	46,011	46,011
53,315	-	53,315
50,562	143	50,705
<u>103,877</u>	<u>127,847</u>	<u>766,385</u>
<u>(65,927)</u>	<u>(127,137)</u>	<u>(550,569)</u>
65,270	9,937	79,408
(82)	(1,328)	(44,713)
<u>65,188</u>	<u>8,609</u>	<u>34,695</u>
(739)	(118,528)	(515,874)
43,587	322,864	1,523,736
-	(152,148)	(163,343)
<u>\$ 42,848</u>	<u>\$ 52,188</u>	<u>\$ 844,519</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 Non-major 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.



STATE OF ALASKA

STATEMENT 3.23

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

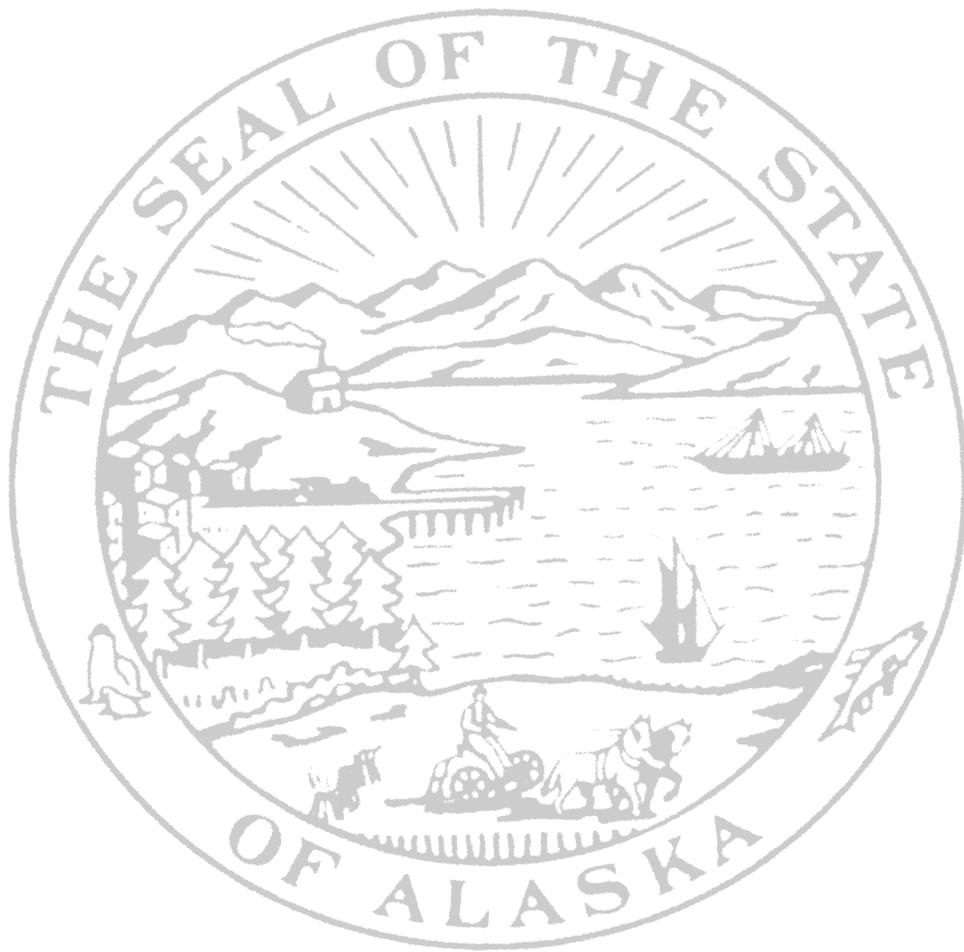
Permanent Funds

For the Fiscal Year Ended June 30, 2014

(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	\$ 9	\$ 9	\$ -
Rents and Royalties	12,760	12,760	-
Interest and Investment Income (Loss)	62,524	62,524	-
Total Revenues	<u>75,293</u>	<u>75,293</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	130	125	5
Education	10,500	10,500	-
Law and Justice	-	-	-
Natural Resources	42	42	-
Total Expenditures	<u>10,672</u>	<u>10,667</u>	<u>5</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>64,621</u>	<u>64,626</u>	<u>(5)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	1	1	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	<u>1</u>	<u>1</u>	<u>-</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ 64,622</u>	64,627	<u>\$ (5)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		<u>-</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		64,627	
Fund Balances - Beginning of Year		510,051	
Fund Balances - End of Year		<u>\$ 574,678</u>	

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ 9	\$ 9	\$ -
779,448	779,448	-	792,208	792,208	-
6,955,670	6,955,670	-	7,018,194	7,018,194	-
<u>7,735,118</u>	<u>7,735,118</u>	<u>-</u>	<u>7,810,411</u>	<u>7,810,411</u>	<u>-</u>
126,995	107,357	19,638	127,125	107,482	19,643
-	-	-	10,500	10,500	-
1,478	1,478	-	1,478	1,478	-
5,664	5,664	-	5,706	5,706	-
<u>134,137</u>	<u>114,499</u>	<u>19,638</u>	<u>144,809</u>	<u>125,166</u>	<u>19,643</u>
<u>7,600,981</u>	<u>7,620,619</u>	<u>(19,638)</u>	<u>7,665,602</u>	<u>7,685,245</u>	<u>(19,643)</u>
-	-	-	1	1	-
<u>(1,266,763)</u>	<u>(1,266,763)</u>	<u>-</u>	<u>(1,266,763)</u>	<u>(1,266,763)</u>	<u>-</u>
<u>(1,266,763)</u>	<u>(1,266,763)</u>	<u>-</u>	<u>(1,266,762)</u>	<u>(1,266,762)</u>	<u>-</u>
<u>\$ 6,334,218</u>	6,353,856	<u>\$ (19,638)</u>	<u>\$ 6,398,840</u>	6,418,483	<u>\$ (19,643)</u>
	1			1	
	<u>6,522</u>			<u>6,522</u>	
	6,360,379			6,425,006	
	44,853,334			45,363,385	
	<u>\$ 51,213,713</u>			<u>\$ 51,788,391</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 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 – 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, 2014
 (Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
ASSETS						
Cash and Investments	\$ 4,828	\$ 11,347	\$ 15,563	\$ 6,009	\$ 26,901	\$ 2,259
Accounts Receivable - Net	-	-	86	2,039	-	-
Due from Other Funds	-	298	-	-	-	-
Due from Other Governments	-	-	6,197	-	-	-
Other Assets	-	-	29	-	-	-
Total Assets	<u>\$ 4,828</u>	<u>\$ 11,645</u>	<u>\$ 21,875</u>	<u>\$ 8,048</u>	<u>\$ 26,901</u>	<u>\$ 2,259</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	\$ 459	\$ 9	\$ 2,326	\$ 6	\$ 1,412	\$ -
Due to Other Funds	33	-	4,293	-	38	-
Due to Component Units	-	-	-	-	-	-
Other Liabilities	-	-	5	-	-	499
Total Liabilities	<u>492</u>	<u>9</u>	<u>6,624</u>	<u>6</u>	<u>1,450</u>	<u>499</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	584	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>584</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Education	-	-	-	8,042	-	-
Health and Human Services	4,336	11,636	-	-	-	-
Development	-	-	14,667	-	-	1,760
Other Purposes	-	-	-	-	-	-
Committed to:						
Development	-	-	-	-	25,451	-
Total Fund Balances	<u>4,336</u>	<u>11,636</u>	<u>14,667</u>	<u>8,042</u>	<u>25,451</u>	<u>1,760</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 4,828</u>	<u>\$ 11,645</u>	<u>\$ 21,875</u>	<u>\$ 8,048</u>	<u>\$ 26,901</u>	<u>\$ 2,259</u>

STATEMENT 3.31

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
\$ 1,615	\$ 3,932	\$ 7,796	\$ 4,985	\$ 166	\$ 980	\$ 119,931	\$ 206,312
-	-	-	-	-	-	-	2,125
-	-	-	-	-	8	-	306
-	-	-	-	-	-	-	6,197
-	-	-	-	-	-	-	29
<u>\$ 1,615</u>	<u>\$ 3,932</u>	<u>\$ 7,796</u>	<u>\$ 4,985</u>	<u>\$ 166</u>	<u>\$ 988</u>	<u>\$ 119,931</u>	<u>\$ 214,969</u>
\$ -	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ -	\$ 4,362
834	-	-	69	-	8	21,106	26,381
-	-	-	-	-	-	8,333	8,333
-	-	-	-	-	-	-	504
<u>834</u>	<u>-</u>	<u>-</u>	<u>219</u>	<u>-</u>	<u>8</u>	<u>29,439</u>	<u>39,580</u>
-	-	-	-	-	-	-	584
-	-	-	-	-	-	-	584
-	-	-	-	-	-	-	8,042
-	-	-	-	-	-	-	15,972
781	3,932	7,796	4,766	-	980	-	34,682
-	-	-	-	166	-	-	166
-	-	-	-	-	-	90,492	115,943
<u>781</u>	<u>3,932</u>	<u>7,796</u>	<u>4,766</u>	<u>166</u>	<u>980</u>	<u>90,492</u>	<u>174,805</u>
<u>\$ 1,615</u>	<u>\$ 3,932</u>	<u>\$ 7,796</u>	<u>\$ 4,985</u>	<u>\$ 166</u>	<u>\$ 988</u>	<u>\$ 119,931</u>	<u>\$ 214,969</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Fiscal Year Ended June 30, 2014
 (Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 19,545	\$ -	\$ -
Licenses and Permits	-	783	27,128	-	-	-
Charges for Services	-	-	545	-	-	81
Fines and Forfeitures	36	-	300	-	-	-
Rents and Royalties	-	-	-	-	6,738	-
Premiums and Contributions	3,107	-	15	-	-	-
Interest and Investment Income (Loss)	-	-	85	-	-	12
Federal Grants in Aid	-	-	37,014	-	-	-
Other Revenues	3	362	5	-	-	-
Total Revenues	<u>3,146</u>	<u>1,145</u>	<u>65,092</u>	<u>19,545</u>	<u>6,738</u>	<u>93</u>
EXPENDITURES						
Current:						
General Government	-	-	-	-	2	-
Education	-	-	-	20,800	251	-
Health and Human Services	3,278	1,343	-	-	93	-
Public Protection	-	-	-	-	96	-
Natural Resources	-	-	60,374	-	72	-
Development	-	-	-	-	7,345	-
Total Expenditures	<u>3,278</u>	<u>1,343</u>	<u>60,374</u>	<u>20,800</u>	<u>7,859</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(132)</u>	<u>(198)</u>	<u>4,718</u>	<u>(1,255)</u>	<u>(1,121)</u>	<u>93</u>
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	-	-	4,118	-	-	-
Transfers (Out to) Other Funds	-	-	(5,834)	-	(1)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(1,716)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net Change in Fund Balances	<u>(132)</u>	<u>(198)</u>	<u>3,002</u>	<u>(1,255)</u>	<u>(1,122)</u>	<u>93</u>
Fund Balances - Beginning of Year	4,468	11,834	11,665	9,297	26,573	1,667
Prior Period Adjustment	-	-	-	-	-	-
Fund Balances - End of Year	<u>\$ 4,336</u>	<u>\$ 11,636</u>	<u>\$ 14,667</u>	<u>\$ 8,042</u>	<u>\$ 25,451</u>	<u>\$ 1,760</u>

STATEMENT 3.32

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,545
2,805	-	-	-	-	-	-	30,716
-	-	-	-	-	-	-	626
-	-	-	-	-	-	-	336
-	-	-	-	-	-	-	6,738
-	-	-	2,064	-	-	-	5,186
-	23	44	33	-	41	1,094	1,332
-	-	-	-	-	-	-	37,014
-	-	-	-	-	-	-	370
<u>2,805</u>	<u>23</u>	<u>44</u>	<u>2,097</u>	<u>-</u>	<u>41</u>	<u>1,094</u>	<u>101,863</u>
172	-	-	-	78	-	-	252
-	-	-	-	-	-	-	21,051
-	-	-	-	-	-	-	4,714
-	-	-	-	-	-	-	96
3,236	-	-	3,371	-	5	-	67,058
-	-	-	-	-	-	423,478	430,823
<u>3,408</u>	<u>-</u>	<u>-</u>	<u>3,371</u>	<u>78</u>	<u>5</u>	<u>423,478</u>	<u>523,994</u>
(603)	23	44	(1,274)	(78)	36	(422,384)	(422,131)
-	-	-	-	82	-	-	4,200
-	-	-	-	-	-	(37,468)	(43,303)
-	-	-	-	82	-	(37,468)	(39,103)
(603)	23	44	(1,274)	4	36	(459,852)	(461,234)
1,384	3,909	7,752	6,040	162	944	561,539	647,234
-	-	-	-	-	-	(11,195)	(11,195)
<u>\$ 781</u>	<u>\$ 3,932</u>	<u>\$ 7,796</u>	<u>\$ 4,766</u>	<u>\$ 166</u>	<u>\$ 980</u>	<u>\$ 90,492</u>	<u>\$ 174,805</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, 2014
(Stated in Thousands)

STATEMENT 3.33

	Second Injury		Variance with Budget
	Budget	Actual	
REVENUES			
Unrestricted:			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	36	(36)
Rents and Royalties	-	-	-
Premiums and Contributions	-	3,107	(3,107)
Interest and Investment Income (Loss)	-	-	-
Other Revenues	4,008	3	4,005
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>4,008</u>	<u>3,146</u>	<u>862</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	4,007	3,278	729
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	<u>4,007</u>	<u>3,278</u>	<u>729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1</u>	<u>(132)</u>	<u>133</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, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ 1</u>	<u>(132)</u>	<u>\$ 133</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(132)	
Fund Balances - Beginning of Year		4,468	
Prior Period Adjustment		-	
Fund Balances - End of Year		<u>\$ 4,336</u>	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	783	(783)	27,128	27,128	-
-	-	-	545	545	-
-	-	-	-	300	(300)
-	-	-	-	-	-
-	-	-	-	15	(15)
-	-	-	-	85	(85)
1,653	362	1,291	24,216	5	24,211
-	-	-	39,076	37,014	2,062
<u>1,653</u>	<u>1,145</u>	<u>508</u>	<u>90,965</u>	<u>65,092</u>	<u>25,873</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,651	1,343	308	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	76,835	66,024	10,811
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,651</u>	<u>1,343</u>	<u>308</u>	<u>76,835</u>	<u>66,024</u>	<u>10,811</u>
<u>2</u>	<u>(198)</u>	<u>200</u>	<u>14,130</u>	<u>(932)</u>	<u>15,062</u>
-	-	-	4,118	4,118	-
-	-	-	(7,000)	(5,834)	(1,166)
-	-	-	(2,882)	(1,716)	(1,166)
<u>\$ 2</u>	<u>(198)</u>	<u>\$ 200</u>	<u>\$ 11,248</u>	<u>(2,648)</u>	<u>\$ 13,896</u>
	-			5,650	
	-			-	
	(198)			3,002	
	11,834			11,665	
	-			-	
	<u>\$ 11,636</u>			<u>\$ 14,667</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, 2014
(Stated in Thousands)

STATEMENT 3.33

	School		Variance with Budget
	Budget	Actual	
REVENUES			
Unrestricted:			
Taxes	\$ 20,800	\$ 19,545	\$ 1,255
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	-	-
Premiums and Contributions	-	-	-
Interest and Investment Income (Loss)	-	-	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>20,800</u>	<u>19,545</u>	<u>1,255</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	20,800	20,800	-
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	<u>20,800</u>	<u>20,800</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(1,255)</u>	<u>1,255</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, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ -</u>	<u>(1,255)</u>	<u>\$ 1,255</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		<u>-</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(1,255)	
Fund Balances - Beginning of Year		9,297	
Prior Period Adjustment		-	
Fund Balances - End of Year		<u>\$ 8,042</u>	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	2,805	2,805	-
-	-	-	-	-	-
-	-	-	-	-	-
6,738	6,738	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,738</u>	<u>6,738</u>	<u>-</u>	<u>2,805</u>	<u>2,805</u>	<u>-</u>
219	218	1	172	172	-
357	297	60	-	-	-
264	264	-	-	-	-
-	-	-	-	-	-
1,355	1,316	39	-	-	-
566	324	242	3,236	3,236	-
26,583	24,050	2,533	-	-	-
-	-	-	-	-	-
<u>29,344</u>	<u>26,469</u>	<u>2,875</u>	<u>3,408</u>	<u>3,408</u>	<u>-</u>
<u>(22,606)</u>	<u>(19,731)</u>	<u>(2,875)</u>	<u>(603)</u>	<u>(603)</u>	<u>-</u>
-	-	-	-	-	-
<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (22,607)</u>	<u>(19,732)</u>	<u>\$ (2,875)</u>	<u>\$ (603)</u>	<u>(603)</u>	<u>\$ -</u>
	-			-	
	<u>18,610</u>			<u>-</u>	
	(1,122)			(603)	
	26,573			1,384	
	-			-	
	<u>\$ 25,451</u>			<u>\$ 781</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, 2014
(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 (Loss)	23	23	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>23</u>	<u>23</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>(3,030)</u>	<u>23</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, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ (3,030)</u>	<u>23</u>	<u>\$ (3,053)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		<u>-</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		23	
Fund Balances - Beginning of Year		3,909	
Prior Period Adjustment		-	
Fund Balances - End of Year		<u>\$ 3,932</u>	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	2,064	(2,064)
-	44	(44)	-	33	(33)
-	-	-	3,600	-	3,600
-	-	-	583	-	583
-	<u>44</u>	<u>(44)</u>	<u>4,183</u>	<u>2,097</u>	<u>2,086</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	13,701	5,758	7,943
-	-	-	-	-	-
-	-	-	<u>13,701</u>	<u>5,758</u>	<u>7,943</u>
-	<u>44</u>	<u>(44)</u>	<u>(9,518)</u>	<u>(3,661)</u>	<u>(5,857)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>44</u>	<u>\$ (44)</u>	<u>\$ (9,518)</u>	<u>(3,661)</u>	<u>\$ (5,857)</u>
-	-	-	-	2,387	-
-	-	-	-	-	-
-	44	-	-	(1,274)	-
-	7,752	-	-	6,040	-
-	<u>7,796</u>	-	-	<u>4,766</u>	-
<u>\$ -</u>	<u>7,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,766</u>	<u>\$ -</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, 2014
 (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 (Loss)	-	41	(41)
Other Revenues	8	-	8
Restricted:			
Federal Grants in Aid	-	-	-
Total Revenues	<u>8</u>	<u>41</u>	<u>(33)</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	8	5	3
Development	-	-	-
Transportation	-	-	-
Total Expenditures	<u>8</u>	<u>5</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>36</u>	<u>(36)</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, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ -</u>	<u>36</u>	<u>\$ (36)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Basis Difference		<u>-</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		36	
Fund Balances - Beginning of Year		944	
Prior Period Adjustment		-	
Fund Balances - End of Year		<u>\$ 980</u>	

STATEMENT 3.33

<u>Funds Not Annually Budgeted</u>		
<u>Reclamation Bonding Pool</u>	<u>Northern Tobacco Securitization Corporation</u>	<u>Alaska Housing Capital Corporation</u>
<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
\$ -	\$ -	\$ -
-	-	-
81	-	-
-	-	-
-	-	-
12	-	1,094
-	-	-
-	-	-
<u>93</u>	<u>-</u>	<u>1,094</u>
-	78	-
-	-	-
-	-	-
-	-	-
-	-	423,478
-	-	-
<u>-</u>	<u>78</u>	<u>423,478</u>
<u>93</u>	<u>(78)</u>	<u>(422,384)</u>
-	82	-
-	-	(37,468)
<u>-</u>	<u>82</u>	<u>(37,468)</u>
93	4	(459,852)
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
93	4	(459,852)
1,667	162	561,539
-	-	(11,195)
<u>\$ 1,760</u>	<u>\$ 166</u>	<u>\$ 90,492</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, 2014
(Stated in Thousands)

STATEMENT 3.33

	Total Nonmajor Special Revenue Funds		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$ 20,800	\$ 19,545	\$ 1,255
Licenses and Permits	29,933	30,716	(783)
Charges for Services	545	626	(81)
Fines and Forfeitures	-	336	(336)
Rents and Royalties	6,738	6,738	-
Premiums and Contributions	-	5,186	(5,186)
Interest and Investment Income (Loss)	23	1,332	(1,309)
Other Revenues	33,485	370	33,115
Restricted:			
Federal Grants in Aid	39,659	37,014	2,645
Total Revenues	<u>131,183</u>	<u>101,863</u>	<u>29,320</u>
EXPENDITURES			
Current:			
General Government	391	468	(77)
Education	21,157	21,097	60
Health and Human Services	5,922	4,885	1,037
Law and Justice	400	-	400
Public Protection	1,355	1,316	39
Natural Resources	94,346	75,347	18,999
Development	26,583	447,528	(420,945)
Transportation	2,653	-	2,653
Total Expenditures	<u>152,807</u>	<u>550,641</u>	<u>(397,834)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(21,624)</u>	<u>(448,778)</u>	<u>427,154</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	4,118	4,200	(82)
Transfers (Out to) Other Funds	(7,001)	(43,303)	36,302
Total Other Financing Sources and Uses	<u>(2,883)</u>	<u>(39,103)</u>	<u>36,220</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ (24,507)</u>	(487,881)	<u>\$ 463,374</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		8,037	
Basis Difference		<u>18,610</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(461,234)	
Fund Balances - Beginning of Year		647,234	
Prior Period Adjustment		(11,195)	
Fund Balances - End of Year		<u>\$ 174,805</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, 2014
 (Stated in Thousands)

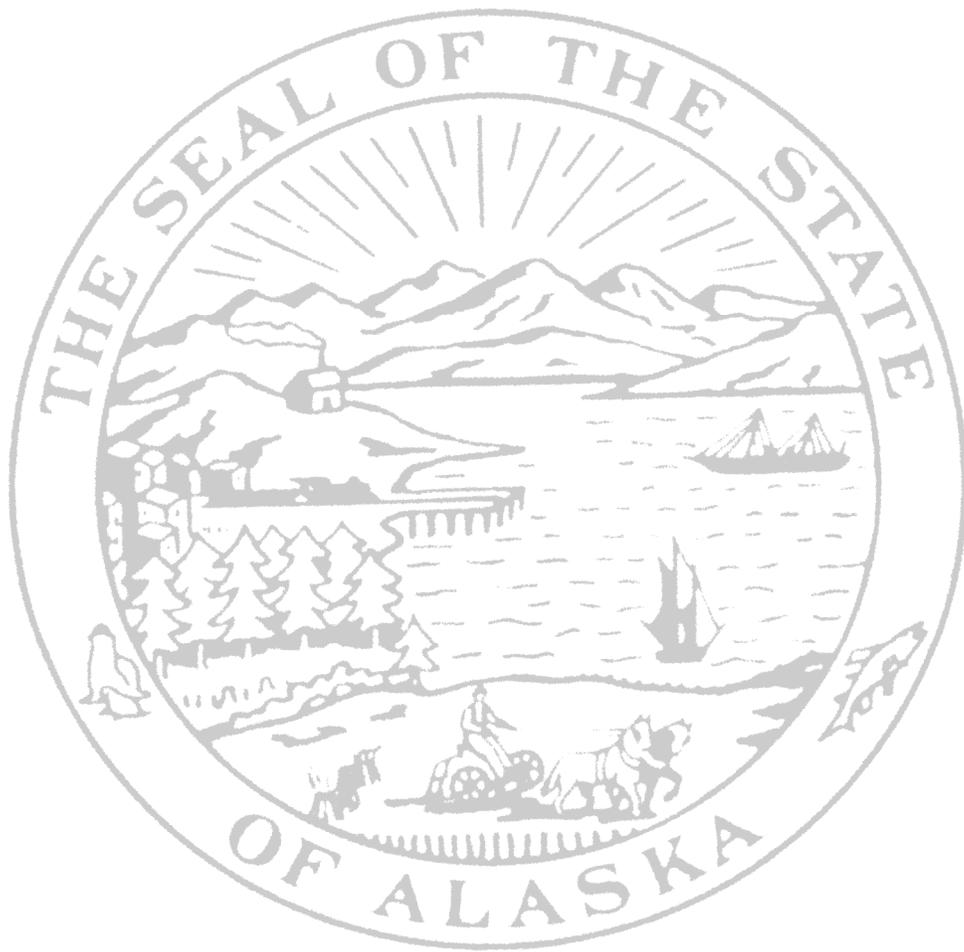
STATEMENT 3.41

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
ASSETS				
Cash and Investments	\$ 12,123	\$ 35,974	\$ 5,969	\$ 54,066
Due from Other Funds	-	-	825	825
Total Assets	<u>\$ 12,123</u>	<u>\$ 35,974</u>	<u>\$ 6,794</u>	<u>\$ 54,891</u>
LIABILITIES				
Due to Other Funds	\$ 12,043	\$ -	\$ -	\$ 12,043
Total Liabilities	<u>12,043</u>	<u>-</u>	<u>-</u>	<u>12,043</u>
FUND BALANCES				
Restricted for:				
Debt Service	80	35,974	6,794	42,848
Total Fund Balances	<u>80</u>	<u>35,974</u>	<u>6,794</u>	<u>42,848</u>
Total Liabilities and Fund Balances	<u>\$ 12,123</u>	<u>\$ 35,974</u>	<u>\$ 6,794</u>	<u>\$ 54,891</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, 2014
 (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 (Loss)	\$ 50	\$ 48	\$ 1	\$ 99
Federal Grants in Aid	12,043	-	-	12,043
Other Revenues	-	25,808	-	25,808
Total Revenues	<u>12,093</u>	<u>25,856</u>	<u>1</u>	<u>37,950</u>
EXPENDITURES				
Debt Service:				
Principal	40,055	8,720	4,540	53,315
Interest and Other Charges	<u>31,424</u>	<u>17,236</u>	<u>1,902</u>	<u>50,562</u>
Total Expenditures	<u>71,479</u>	<u>25,956</u>	<u>6,442</u>	<u>103,877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(59,386)</u>	<u>(100)</u>	<u>(6,441)</u>	<u>(65,927)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	59,436	-	5,834	65,270
Transfers (Out to) Other Funds	-	(82)	-	(82)
Total Other Financing Sources and Uses	<u>59,436</u>	<u>(82)</u>	<u>5,834</u>	<u>65,188</u>
Net Change in Fund Balances	50	(182)	(607)	(739)
Fund Balances - Beginning of Year	30	36,156	7,401	43,587
Fund Balances - End of Year	<u>\$ 80</u>	<u>\$ 35,974</u>	<u>\$ 6,794</u>	<u>\$ 42,848</u>



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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 \$375,560,000 of general obligation bonds in 2010 and 2013, and is to be used for the purpose of paying the cost of state education projects.
- **2012 Transportation Project Fund (GO Bonds) (Fund 13325)** – Chapter 17, SLA 2012 – This fund consists of the proceeds from the sale of \$332,480,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.
- **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.

STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2014
 (Stated in Thousands)

STATEMENT 3.51

	Alaska Sport Fishing Construction Account	2008 Transportation Projects
ASSETS		
Cash and Investments	\$ 80	\$ 7,575
Interest and Dividends Receivable	-	1
Due from Other Funds	-	-
Due from Component Units	-	-
Total Assets	<u>\$ 80</u>	<u>\$ 7,576</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ -	\$ 75
Due to Other Funds	80	191
Interest Payable	-	-
Bond Anticipation Note Payable	-	-
Total Liabilities	<u>80</u>	<u>266</u>
FUND BALANCES		
Restricted for:		
Education	-	-
Development	-	7,310
Unassigned	-	-
Total Fund Balances	<u>-</u>	<u>7,310</u>
Total Liabilities and Fund Balances	<u>\$ 80</u>	<u>\$ 7,576</u>

STATEMENT 3.51

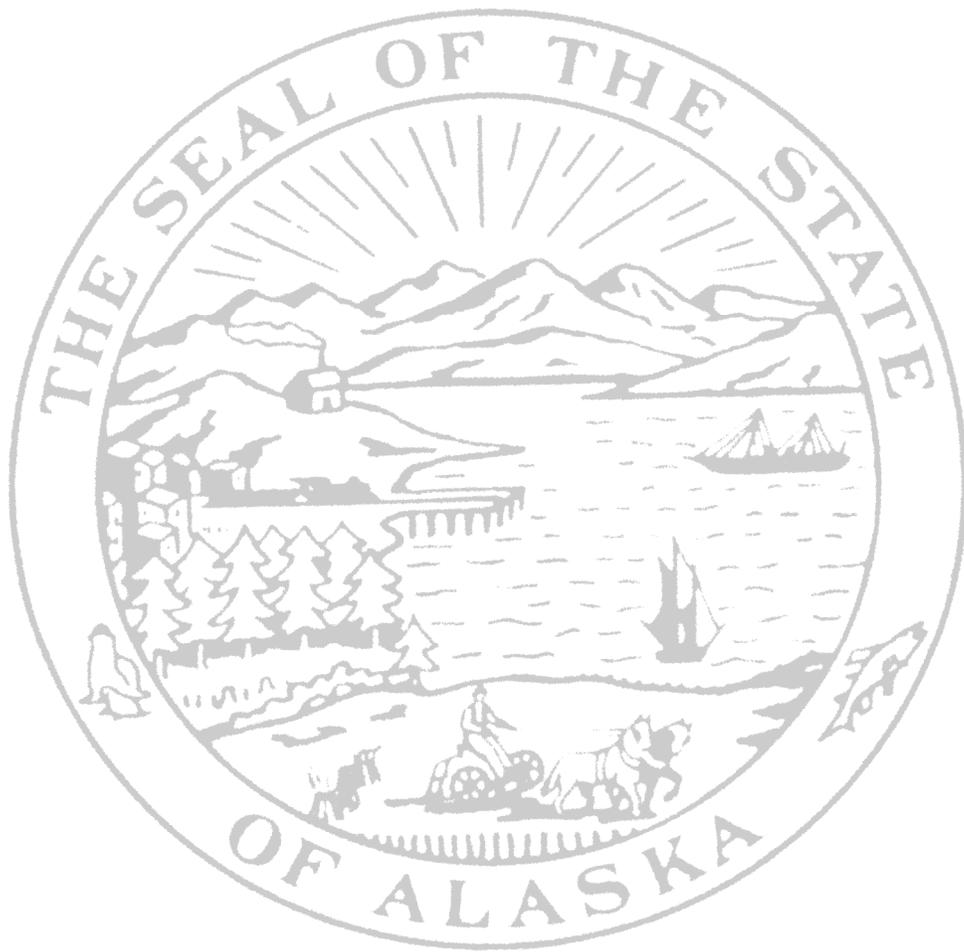
2010 Education Projects	2012 Transportation Projects	Total Nonmajor Capital Projects Funds
\$ 64,763	\$ 156,667	\$ 229,085
9	23	33
333	-	333
356	-	356
<u>\$ 65,461</u>	<u>\$ 156,690</u>	<u>\$ 229,807</u>
\$ 1,190	\$ 1,182	\$ 2,447
1,016	2,303	3,590
-	460	460
-	171,122	171,122
<u>2,206</u>	<u>175,067</u>	<u>177,619</u>
63,255	-	63,255
-	-	7,310
-	(18,377)	(18,377)
<u>63,255</u>	<u>(18,377)</u>	<u>52,188</u>
<u>\$ 65,461</u>	<u>\$ 156,690</u>	<u>\$ 229,807</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2014
 (Stated in Thousands)

	Alaska Sport Fishing Construction Account	2008 Transportation Projects
REVENUES		
Interest and Investment Income (Loss)	\$ -	\$ 43
Total Revenues	-	43
EXPENDITURES		
Current:		
Education	-	-
University	-	-
Natural Resources	388	-
Transportation	-	19,676
Debt Service:		
Interest and Other Charges	-	-
Total Expenditures	388	19,676
Excess (Deficiency) of Revenues Over Expenditures	(388)	(19,633)
OTHER FINANCING SOURCES (USES)		
Transfers In from Other Funds	-	-
Transfers (Out to) Other Funds	-	(363)
Total Other Financing Sources and Uses	-	(363)
Net Change in Fund Balances	(388)	(19,996)
Fund Balances - Beginning of Year	388	27,306
Prior Period Adjustment	-	-
Fund Balances - End of Year	\$ -	\$ 7,310

STATEMENT 3.52

2010 Education Projects	2012 Transportation Projects	Total Nonmajor Capital Projects Funds
\$ 272	\$ 395	\$ 710
<u>272</u>	<u>395</u>	<u>710</u>
37,406	-	37,406
43,572	-	43,572
327	-	715
-	26,335	46,011
-	143	143
<u>81,305</u>	<u>26,478</u>	<u>127,847</u>
<u>(81,033)</u>	<u>(26,083)</u>	<u>(127,137)</u>
333	9,604	9,937
<u>(965)</u>	<u>-</u>	<u>(1,328)</u>
(632)	9,604	8,609
<u>(81,665)</u>	<u>(16,479)</u>	<u>(118,528)</u>
144,920	150,250	322,864
-	(152,148)	(152,148)
<u>\$ 63,255</u>	<u>\$ (18,377)</u>	<u>\$ 52,188</u>



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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 non-major 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 Microloan Revolving Loan Fund (Fund 21629)** – AS 44.33.950 – Administered by DCCED. The purpose of this fund is to make loans to be used for working capital, equipment, construction or other commercial purposes by a business located in the state.
- **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 Charter Fisheries Revolving Loan Fund (Fund 21632)** – AS 16.10.801 – Administered by DCCED. The purpose of this fund is to make loans for the purchase of charter halibut permits and to refinance debt obligations for the purchase of halibut fishing vessels or gear.
- **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.
- **Community Quota Entity Revolving Loan Fund (Fund 21633)** – AS 16.10.345 – Administered by DCCED. The purpose of this fund is to make loans for the purchase of fishing quota shares by a community quota entity eligible under federal statute or regulation to purchase the fishing quota shares if the entity is not eligible or qualified for financing from other recognized commercial lending institutions.
- **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.
- **Mariculture Revolving Loan Fund (Fund 21634)** – AS 16.10.900 – Administered by DCCED. The purpose of this fund is to make loans to eligible applicants for the planning, construction and operation of a mariculture business.
- **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.

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 Revolving Loan Fund (Fund 21624)** – AS 42.45.250 – 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.
- **Residential Energy Conservation Fund (Fund 21623)** – AS 45.88.100 – 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 – 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 – 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.





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STATE OF ALASKA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 4.01

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 107,462	\$ 19,526	\$ 545,707	\$ 672,695
Accounts Receivable - Net	-	-	26,678	26,678
Interest and Dividends Receivable	4,327	7	2,006	6,340
Due from Other Funds	-	-	921	921
Due from Other Governments	-	-	424	424
Loans, Notes, and Bonds Receivable	8,552	5,171	18,472	32,195
Total Current Assets	<u>120,341</u>	<u>24,704</u>	<u>594,208</u>	<u>739,253</u>
Noncurrent Assets:				
Interest and Dividends Receivable	9,977	-	-	9,977
Loans, Notes, and Bonds Receivable	117,472	989	262,779	381,240
Repossessed Property	17	-	522	539
Investment in Projects, Partnerships, or Corporations	-	-	2,787	2,787
Other Noncurrent Assets	-	-	1,249	1,249
Capital Assets:				
Construction in Progress	-	-	59,960	59,960
Total Noncurrent Assets	<u>127,466</u>	<u>989</u>	<u>327,297</u>	<u>455,752</u>
Total Assets	<u>247,807</u>	<u>25,693</u>	<u>921,505</u>	<u>1,195,005</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	401	5	4,625	5,031
Due to Other Funds	571	-	1,476	2,047
Due to Other Governments	-	-	5,189	5,189
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	33	33
Other Current Liabilities	-	-	802	802
Total Current Liabilities	<u>972</u>	<u>5</u>	<u>12,125</u>	<u>13,102</u>
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	196	196
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>196</u>	<u>196</u>
Total Liabilities	<u>972</u>	<u>5</u>	<u>12,321</u>	<u>13,298</u>
NET POSITION				
Net Investment in Capital Assets	-	-	59,960	59,960
Restricted for:				
Unemployment Compensation	-	-	380,636	380,636
Health and Human Services	-	-	445,813	445,813
Other Purposes	-	-	220	220
Unrestricted	246,835	25,688	22,555	295,078
Total Net Position	<u>\$ 246,835</u>	<u>\$ 25,688</u>	<u>\$ 909,184</u>	<u>\$ 1,181,707</u>

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	\$ -	\$ -	\$ 236,266	\$ 236,266
Charges for Goods and Services	286	-	1,168	1,454
Interest and Investment Income	5,494	236	3,309	9,039
Allowance for Uncollectible Interest	210	-	-	210
Fines and Forfeitures	28	-	3	31
Federal Reimbursements	-	-	24,968	24,968
Total Operating Revenues	<u>6,018</u>	<u>236</u>	<u>265,714</u>	<u>271,968</u>
OPERATING EXPENSES				
Benefits	-	-	196,345	196,345
Operating	4,584	54	3,747	8,385
Depreciation	-	-	20	20
Provision for Loan Losses and Forgiveness	559	(40)	-	519
Total Operating Expenses	<u>5,143</u>	<u>14</u>	<u>200,112</u>	<u>205,269</u>
Operating Income (Loss)	<u>875</u>	<u>222</u>	<u>65,602</u>	<u>66,699</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	98	89	9,249	9,436
Interest and Investment Expense	-	-	(5)	(5)
Gain (Loss) on Disposal of Capital Assets	-	-	(18)	(18)
Other Nonoperating Revenues (Expenses)	-	-	(1,244)	(1,244)
Total Nonoperating Revenues (Expenses)	<u>98</u>	<u>89</u>	<u>7,982</u>	<u>8,169</u>
Income Before Capital Contributions and Transfers	973	311	73,584	74,868
Capital Contributions	-	-	22,753	22,753
Transfers In from Other Funds	-	-	39	39
Transfers (Out to) Other Funds	(102)	-	(3,645)	(3,747)
Change in Net Position	871	311	92,731	93,913
Total Net Position - Beginning of Year (restated)	245,964	25,377	816,453	1,087,794
Total Net Position - End of Year	<u>\$ 246,835</u>	<u>\$ 25,688</u>	<u>\$ 909,184</u>	<u>\$ 1,181,707</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2014
(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	\$ -	\$ -	\$ 24,968	\$ 24,968
Receipts from Customers	323	-	1	324
Receipts for Interfund Services Provided	47	-	-	47
Receipt of Principal from Loan Recipients	13,232	17,288	18,472	48,992
Receipt of Interest and Fees from Loan Recipients	6,582	255	4,397	11,234
Receipts from Insured	-	-	236,828	236,828
Payments to Employees	-	-	(1,082)	(1,082)
Payments to Suppliers	-	-	(2,213)	(2,213)
Payments to Other Governments	-	-	(499)	(499)
Payments to Loan Recipients	(21,762)	(17,826)	(24,451)	(64,039)
Claims Paid	-	-	(192,763)	(192,763)
Payments for Interfund Services Used	(4,049)	(54)	(592)	(4,695)
Other Receipts	37	-	25	62
Other Payments	(36)	-	(72)	(108)
Net Cash Provided (Used) by Operating Activities	<u>(5,626)</u>	<u>(337)</u>	<u>63,019</u>	<u>57,056</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	(102)	-	(8,251)	(8,353)
Operating Subsidies and Transfers In from Other Funds	-	-	1,488	1,488
Federal Grants	-	-	21,916	21,916
Proceeds from Issuance of Short-term Debt	-	-	2,971	2,971
Payments on Short-term Debt	-	-	(2,971)	(2,971)
Interest and Fees Paid on Borrowing	-	-	(5)	(5)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(102)</u>	<u>-</u>	<u>15,148</u>	<u>15,046</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Contributions	-	-	349	349
Proceeds from Sales of Capital Assets	-	-	(18)	(18)
Acquisition and Construction of Capital Assets	-	-	(3,563)	(3,563)
Federal Grants	-	-	3,214	3,214
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(18)</u>	<u>(18)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	-	-	4	4
Interest and Dividends on Investments	98	89	9,245	9,432
Net Cash Provided (Used) by Investing Activities	<u>98</u>	<u>89</u>	<u>9,249</u>	<u>9,436</u>
Net Increase (Decrease) in Cash	<u>(5,630)</u>	<u>(248)</u>	<u>87,398</u>	<u>81,520</u>
Cash and Cash Equivalents - Beginning of Year	113,092	19,774	458,309	591,175
Cash and Cash Equivalents - End of Year	<u>\$ 107,462</u>	<u>\$ 19,526</u>	<u>\$ 545,707</u>	<u>\$ 672,695</u>

STATE OF ALASKA
 Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 For the Fiscal Year Ended June 30, 2014
 (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)	\$ 875	\$ 222	\$ 65,602	\$ 66,699
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Provided (Used) by Operating Activities:				
Depreciation and Amortization	-	-	20	20
Provision for Loan Losses and Forgiveness	2	-	-	2
Other Reconciling Items	-	-	15	15
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	-	-	535	535
Due from Other Funds	-	-	(167)	(167)
Due from Other Governments	-	-	8	8
Loans, Notes, and Bonds Receivable - Net	(7,785)	9	(6,015)	(13,791)
Reposessed Property	59	-	16	75
Interest and Dividends Receivable - Net	720	20	(43)	697
Other Assets	-	-	37	37
Due to Other Funds	250	-	134	384
Due to Other Governments	-	-	2,602	2,602
Accounts Payable and Accrued Liabilities	253	(588)	275	(60)
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,626)</u>	<u>\$ (337)</u>	<u>\$ 63,019</u>	<u>\$ 57,056</u>
Reconciliation of Cash to the Statement of Net Position:				
Total Cash and Investments per the Statement of Net Position	\$ 107,462	\$ 19,526	\$ 545,707	\$ 672,695
Cash, End of Year	<u>\$ 107,462</u>	<u>\$ 19,526</u>	<u>\$ 545,707</u>	<u>\$ 672,695</u>
Noncash Investing, Capital, and Financing Activities:				
Contributed Capital Assets	-	-	218	218
Transfers (Out to) Other Funds (Accrual)	(64)	-	-	(64)

STATE OF ALASKA
 Combining Statement of Net Position
 Commercial Assistance Enterprise Funds
 June 30, 2014
 (Stated in Thousands)

STATEMENT 4.11

	Alaska Microloan Revolving Loan	Commercial Fishing Revolving Loan	Commercial Charter Fisheries Revolving Loan	Historical District Revolving Loan
ASSETS				
Current Assets:				
Cash and Investments	\$ 2,278	\$ 18,614	\$ 5,012	\$ 62
Interest and Dividends Receivable	4	2,785	-	-
Loans, Notes, and Bonds Receivable	180	7,484	-	-
Total Current Assets	<u>2,462</u>	<u>28,883</u>	<u>5,012</u>	<u>62</u>
Noncurrent Assets:				
Interest and Dividends Receivable	-	1,096	-	-
Loans, Notes, and Bonds Receivable	48	75,343	-	-
Repossessed Property	-	17	-	-
Total Noncurrent Assets	<u>48</u>	<u>76,456</u>	<u>-</u>	<u>-</u>
Total Assets	<u>2,510</u>	<u>105,339</u>	<u>5,012</u>	<u>62</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	-	401	-	-
Due to Other Funds	-	502	-	62
Total Current Liabilities	<u>-</u>	<u>903</u>	<u>-</u>	<u>62</u>
Total Liabilities	<u>-</u>	<u>903</u>	<u>-</u>	<u>62</u>
NET POSITION				
Unrestricted	2,510	104,436	5,012	-
Total Net Position	<u>\$ 2,510</u>	<u>\$ 104,436</u>	<u>\$ 5,012</u>	<u>\$ -</u>

Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Community Quota Entity Revolving Loan	Mariculture Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 61,690	\$ 202	\$ 4,936	\$ 9,759	\$ 4,909	\$ 107,462
1,529	-	6	3	-	4,327
678	-	39	171	-	8,552
<u>63,897</u>	<u>202</u>	<u>4,981</u>	<u>9,933</u>	<u>4,909</u>	<u>120,341</u>
8,878	-	-	-	3	9,977
41,717	-	267	-	97	117,472
-	-	-	-	-	17
50,595	-	267	-	100	127,466
<u>114,492</u>	<u>202</u>	<u>5,248</u>	<u>9,933</u>	<u>5,009</u>	<u>247,807</u>
-	-	-	-	-	401
<u>5</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>571</u>
<u>5</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>972</u>
<u>5</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>972</u>
114,487	200	5,248	9,933	5,009	246,835
<u>\$ 114,487</u>	<u>\$ 200</u>	<u>\$ 5,248</u>	<u>\$ 9,933</u>	<u>\$ 5,009</u>	<u>\$ 246,835</u>

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

Commercial Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(Stated in Thousands)

	Alaska Microloan Revolving Loan	Commercial Fishing Revolving Loan	Commercial Charter Fisheries Revolving Loan	Historical District Revolving Loan
OPERATING REVENUES				
Charges for Goods and Services	\$ 2	\$ 252	\$ 1	\$ -
Interest and Investment Income	7	3,840	2	-
Allowance for Uncollectible Interest	-	(23)	-	-
Fines and Forfeitures	-	28	-	-
Total Operating Revenues	<u>9</u>	<u>4,097</u>	<u>3</u>	<u>-</u>
OPERATING EXPENSES				
Operating	9	3,566	19	-
Provision for Loan Losses and Forgiveness	5	361	-	-
Total Operating Expenses	<u>14</u>	<u>3,927</u>	<u>19</u>	<u>-</u>
Operating Income (Loss)	<u>(5)</u>	<u>170</u>	<u>(16)</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	14	-	28	-
Total Nonoperating Revenues (Expenses)	<u>14</u>	<u>-</u>	<u>28</u>	<u>-</u>
Income Before Capital Contributions and Transfers	<u>9</u>	<u>170</u>	<u>12</u>	<u>-</u>
Transfers (Out to) Other Funds	-	-	-	(62)
Change in Net Position	9	170	12	(62)
Total Net Position - Beginning of Year	2,501	104,266	5,000	62
Total Net Position - End of Year	<u>\$ 2,510</u>	<u>\$ 104,436</u>	<u>\$ 5,012</u>	<u>\$ -</u>

Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Community Quota Entity Revolving Loan	Mariculture Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 29	\$ -	\$ -	\$ 2	\$ -	\$ 286
1,627	-	12	3	3	5,494
233	-	-	-	-	210
-	-	-	-	-	28
<u>1,889</u>	<u>-</u>	<u>12</u>	<u>5</u>	<u>3</u>	<u>6,018</u>
931	-	32	5	22	4,584
199	(2)	(4)	-	-	559
<u>1,130</u>	<u>(2)</u>	<u>28</u>	<u>5</u>	<u>22</u>	<u>5,143</u>
<u>759</u>	<u>2</u>	<u>(16)</u>	<u>-</u>	<u>(19)</u>	<u>875</u>
-	-	28	-	28	98
-	-	28	-	28	98
<u>759</u>	<u>2</u>	<u>12</u>	<u>-</u>	<u>9</u>	<u>973</u>
-	(2)	-	(38)	-	(102)
759	-	12	(38)	9	871
<u>113,728</u>	<u>200</u>	<u>5,236</u>	<u>9,971</u>	<u>5,000</u>	<u>245,964</u>
<u>\$ 114,487</u>	<u>\$ 200</u>	<u>\$ 5,248</u>	<u>\$ 9,933</u>	<u>\$ 5,009</u>	<u>\$ 246,835</u>

STATE OF ALASKA
 Combining Statement of Cash Flows
 Commercial Assistance Enterprise Funds
 For the Fiscal Year Ended June 30, 2014
 (Stated in Thousands)

STATEMENT 4.13

	Alaska Microloan Revolving Loan	Commercial Fishing Revolving Loan	Commercial Charter Fisheries Revolving Loan	Historical District Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ -	\$ 323	\$ -	\$ -
Receipts for Interfund Services Provided	-	-	-	47
Receipts of Principal from Loan Recipients	15	12,509	60	11
Receipt of Interest and Fees from Loan Recipients	2	4,027	2	1
Payments to Loan Recipients	(188)	(18,807)	(59)	-
Payments for Interfund Services Used	(9)	(3,354)	(19)	-
Other Receipts	-	37	-	-
Other Payments	-	(9)	-	-
Net Cash Provided (Used) by Operating Activities	<u>(180)</u>	<u>(5,274)</u>	<u>(16)</u>	<u>59</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	-	-	-	(62)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	14	-	28	-
Net Cash Provided (Used) by Investing Activities	<u>14</u>	<u>-</u>	<u>28</u>	<u>-</u>
Net Increase (Decrease) in Cash	(166)	(5,274)	12	(3)
Cash and Cash Equivalents - Beginning of Year	2,444	23,888	5,000	65
Cash and Cash Equivalents - End of Year	<u>\$ 2,278</u>	<u>\$ 18,614</u>	<u>\$ 5,012</u>	<u>\$ 62</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (5)	\$ 170	\$ (16)	\$ -
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Provision for Loan Losses and Forgiveness	-	-	(1)	-
Net Changes in Assets and Liabilities:				
Loans, Notes and Bonds Receivable - Net	(171)	(6,154)	1	11
Reposessed Property	-	59	-	-
Interest and Dividends Receivable - Net	(4)	193	-	1
Due to Other Funds	-	205	-	47
Accounts Payable and Accrued Liabilities	-	253	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (180)</u>	<u>\$ (5,274)</u>	<u>\$ (16)</u>	<u>\$ 59</u>
Reconciliation of Cash to the Statement of Net Position:				
Total Cash and Investments per the Statement of Net Position Cash, End of Year	<u>\$ 2,278</u>	<u>\$ 18,614</u>	<u>\$ 5,012</u>	<u>\$ 62</u>
	<u>\$ 2,278</u>	<u>\$ 18,614</u>	<u>\$ 5,012</u>	<u>\$ 62</u>
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	-	-	-	(62)

STATEMENT 4.13

Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Community Quota Entity Revolving Loan	Mariculture Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323
-	-	-	-	-	47
482	2	149	4	-	13,232
2,536	-	12	2	-	6,582
(2,376)	-	(57)	(175)	(100)	(21,762)
(616)	-	(32)	-	(19)	(4,049)
-	-	-	-	-	37
(22)	-	-	(5)	-	(36)
<u>4</u>	<u>2</u>	<u>72</u>	<u>(174)</u>	<u>(119)</u>	<u>(5,626)</u>
-	(2)	-	(38)	-	(102)
-	(2)	-	(38)	-	(102)
-	-	28	-	28	98
-	-	28	-	28	98
4	-	100	(212)	(91)	(5,630)
61,686	202	4,836	9,971	5,000	113,092
<u>\$ 61,690</u>	<u>\$ 202</u>	<u>\$ 4,936</u>	<u>\$ 9,759</u>	<u>\$ 4,909</u>	<u>\$ 107,462</u>
\$ 759	\$ 2	\$ (16)	\$ -	\$ (19)	\$ 875
-	-	-	-	3	2
(1,289)	-	88	(171)	(100)	(7,785)
-	-	-	-	-	59
536	-	-	(3)	(3)	720
(2)	-	-	-	-	250
-	-	-	-	-	253
<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 72</u>	<u>\$ (174)</u>	<u>\$ (119)</u>	<u>\$ (5,626)</u>
<u>\$ 61,690</u>	<u>\$ 202</u>	<u>\$ 4,936</u>	<u>\$ 9,759</u>	<u>\$ 4,909</u>	<u>\$ 107,462</u>
<u>\$ 61,690</u>	<u>\$ 202</u>	<u>\$ 4,936</u>	<u>\$ 9,759</u>	<u>\$ 4,909</u>	<u>\$ 107,462</u>
-	(2)	-	-	-	(64)

STATE OF ALASKA
Combining Statement of Net Position
Energy Assistance Enterprise Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Conservation Revolving Loan	Bulk Fuel Revolving Loan	Total Energy Assistance Enterprise Funds
ASSETS			
Current Assets:			
Cash and Investments	\$ 2,695	\$ 16,831	\$ 19,526
Interest and Dividends Receivable	-	7	7
Loans, Notes, and Bonds Receivable	-	5,171	5,171
Total Current Assets	<u>2,695</u>	<u>22,009</u>	<u>24,704</u>
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	-	989	989
Total Noncurrent Assets	<u>-</u>	<u>989</u>	<u>989</u>
Total Assets	<u>2,695</u>	<u>22,998</u>	<u>25,693</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	5	5
Total Current Liabilities	<u>-</u>	<u>5</u>	<u>5</u>
Total Liabilities	<u>-</u>	<u>5</u>	<u>5</u>
NET POSITION			
Unrestricted	2,695	22,993	25,688
Total Net Position	<u>\$ 2,695</u>	<u>\$ 22,993</u>	<u>\$ 25,688</u>

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

Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2014

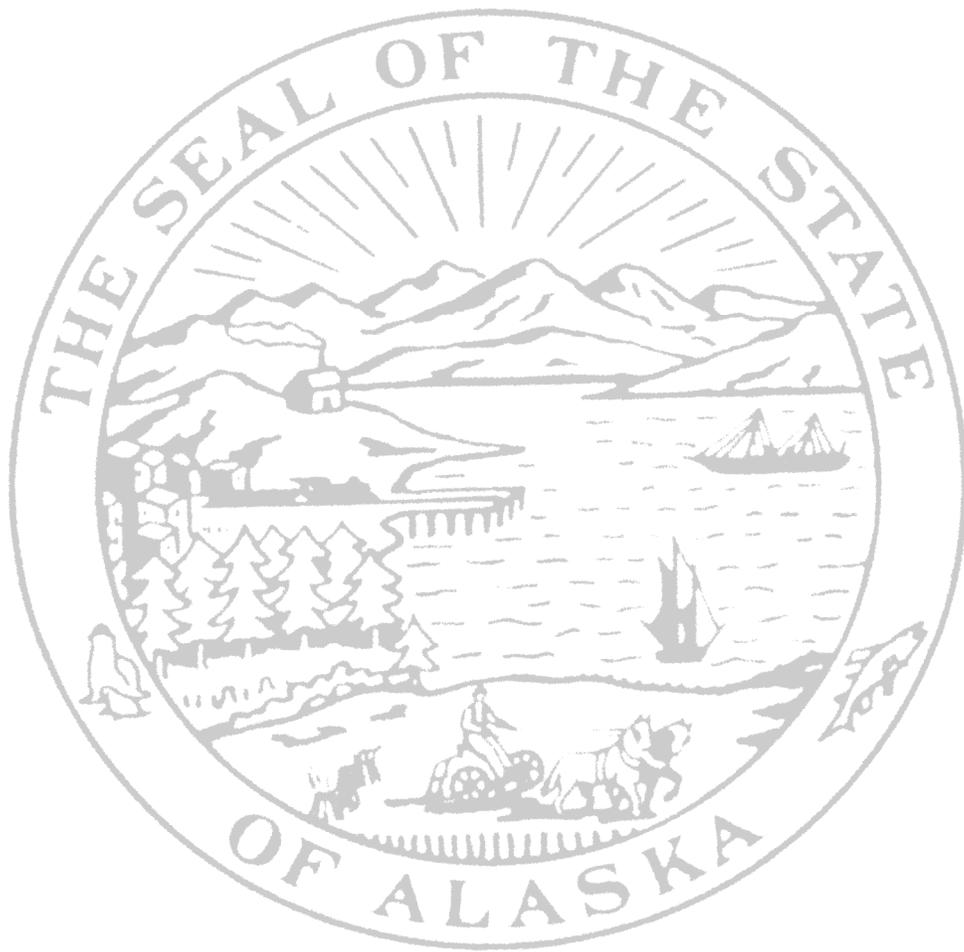
(Stated in Thousands)

	Alternative Energy Conservation Revolving Loan	Bulk Fuel Revolving Loan	Total Energy Assistance Enterprise Funds
OPERATING REVENUES			
Interest and Investment Income	\$ 2	\$ 234	\$ 236
Total Operating Revenues	<u>2</u>	<u>234</u>	<u>236</u>
OPERATING EXPENSES			
Operating	-	54	54
Provision for Loan Losses and Forgiveness	-	(40)	(40)
Total Operating Expenses	<u>-</u>	<u>14</u>	<u>14</u>
Operating Income (Loss)	<u>2</u>	<u>220</u>	<u>222</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	15	74	89
Total Nonoperating Revenues (Expenses)	<u>15</u>	<u>74</u>	<u>89</u>
Income Before Capital Contributions and Transfers	<u>17</u>	<u>294</u>	<u>311</u>
Change in Net Position	17	294	311
Total Net Position - Beginning of Year	2,678	22,699	25,377
Total Net Position - End of Year	<u>\$ 2,695</u>	<u>\$ 22,993</u>	<u>\$ 25,688</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 4.23

	Alternative Energy Conservation Revolving Loan	Bulk Fuel Revolving Loan	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts of Principal from Loan Recipients	\$ 1	\$ 17,287	\$ 17,288
Receipt of Interest and Fees from Loan Recipients	1	254	255
Payments to Loan Recipients	-	(17,826)	(17,826)
Payments for Interfund Services Used	-	(54)	(54)
Net Cash Provided (Used) by Operating Activities	<u>2</u>	<u>(339)</u>	<u>(337)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends on Investments	15	74	89
Net Cash Provided (Used) by Investing Activities	<u>15</u>	<u>74</u>	<u>89</u>
Net Increase (Decrease) in Cash	17	(265)	(248)
Cash and Cash Equivalents - Beginning of Year	2,678	17,096	19,774
Cash and Cash Equivalents - End of Year	<u>\$ 2,695</u>	<u>\$ 16,831</u>	<u>\$ 19,526</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 2	\$ 220	\$ 222
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Net Changes in Assets and Liabilities:			
Loans, Notes, and Bonds Receivable - Net	-	9	9
Interest and Dividends Receivable - Net	-	20	20
Accounts Payable and Accrued Liabilities	-	(588)	(588)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2</u>	<u>\$ (339)</u>	<u>\$ (337)</u>
Reconciliation of Cash to the Statement of Net Position:			
Total Cash and Investments per the Statement of Net Position	\$ 2,695	\$ 16,831	\$ 19,526
Cash, End of Year	<u>\$ 2,695</u>	<u>\$ 16,831</u>	<u>\$ 19,526</u>



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STATE OF ALASKA
Combining Statement of Net Position
Other Agencies Enterprise Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 4.31

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
ASSETS			
Current Assets:			
Cash and Investments	\$ 220	\$ 7,489	\$ 119,695
Accounts Receivable - Net	-	39	579
Interest and Dividends Receivable	-	81	1,153
Due from Other Funds	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	917	8,952
Total Current Assets	<u>220</u>	<u>8,526</u>	<u>130,379</u>
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	-	9,803	130,312
Reposessed Property	-	522	-
Investment in Projects, Partnerships, or Corporations	-	2,787	-
Other Noncurrent Assets	-	1,249	-
Capital Assets:			
Construction in Progress	-	-	-
Total Noncurrent Assets	<u>-</u>	<u>14,361</u>	<u>130,312</u>
Total Assets	<u>220</u>	<u>22,887</u>	<u>260,691</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	42	-
Due to Other Funds	-	61	67
Due to Other Governments	-	-	-
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	33	-
Other Current Liabilities	-	-	-
Total Current Liabilities	<u>-</u>	<u>136</u>	<u>67</u>
Noncurrent Liabilities:			
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	196	-
Total Noncurrent Liabilities	<u>-</u>	<u>196</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>332</u>	<u>67</u>
NET POSITION			
Net Investment in Capital Assets	-	-	-
Restricted for:			
Unemployment Compensation	-	-	-
Health and Human Services	-	-	260,624
Other Purposes	220	-	-
Unrestricted	-	22,555	-
Total Net Position	<u>\$ 220</u>	<u>\$ 22,555</u>	<u>\$ 260,624</u>

STATEMENT 4.31

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
\$ 52,707	\$ -	\$ 365,596	\$ 545,707
386	-	25,674	26,678
772	-	-	2,006
54	803	64	921
3	-	421	424
8,603	-	-	18,472
<u>62,525</u>	<u>803</u>	<u>391,755</u>	<u>594,208</u>
122,664	-	-	262,779
-	-	-	522
-	-	-	2,787
-	-	-	1,249
-	59,960	-	59,960
<u>122,664</u>	<u>59,960</u>	<u>-</u>	<u>327,297</u>
<u>185,189</u>	<u>60,763</u>	<u>391,755</u>	<u>921,505</u>
-	243	4,340	4,625
-	-	1,348	1,476
-	-	5,189	5,189
-	-	-	33
-	560	242	802
<u>-</u>	<u>803</u>	<u>11,119</u>	<u>12,125</u>
-	-	-	196
-	-	-	196
<u>-</u>	<u>803</u>	<u>11,119</u>	<u>12,321</u>
-	59,960	-	59,960
-	-	380,636	380,636
185,189	-	-	445,813
-	-	-	220
-	-	-	22,555
<u>\$ 185,189</u>	<u>\$ 59,960</u>	<u>\$ 380,636</u>	<u>\$ 909,184</u>

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

Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2014

(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	-	2	580
Interest and Investment Income	-	585	1,338
Fines and Forfeitures	-	3	-
Federal Reimbursements	-	-	-
Total Operating Revenues	-	590	1,918
OPERATING EXPENSES			
Benefits	-	-	-
Operating	-	420	-
Depreciation	-	20	-
Total Operating Expenses	-	440	-
Operating Income (Loss)	-	150	1,918
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	1	4	667
Interest and Investment Expense	-	-	(2)
Gain (Loss) on Disposal of Capital Assets	-	(18)	-
Other Nonoperating Revenues (Expenses)	-	29	(854)
Total Nonoperating Revenues (Expenses)	1	15	(189)
Income Before Capital Contributions and Transfers	1	165	1,729
Capital Contributions	-	-	11,281
Transfers In from Other Funds	-	39	-
Transfers (Out to) Other Funds	-	-	-
Change in Net Position	1	204	13,010
Total Net Position - Beginning of Year (restated)	219	22,351	247,614
Total Net Position - End of Year	\$ 220	\$ 22,555	\$ 260,624

STATEMENT 4.32

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
\$ -	\$ -	\$ 236,266	\$ 236,266
586	-	-	1,168
1,386	-	-	3,309
-	-	-	3
-	-	24,968	24,968
<u>1,972</u>	<u>-</u>	<u>261,234</u>	<u>265,714</u>
-	-	196,345	196,345
-	3,327	-	3,747
-	-	-	20
-	<u>3,327</u>	<u>196,345</u>	<u>200,112</u>
<u>1,972</u>	<u>(3,327)</u>	<u>64,889</u>	<u>65,602</u>
269	-	8,308	9,249
(3)	-	-	(5)
-	-	-	(18)
<u>(3,746)</u>	<u>3,327</u>	<u>-</u>	<u>(1,244)</u>
<u>(3,480)</u>	<u>3,327</u>	<u>8,308</u>	<u>7,982</u>
<u>(1,508)</u>	<u>-</u>	<u>73,197</u>	<u>73,584</u>
8,117	3,355	-	22,753
-	-	-	39
-	-	(3,645)	(3,645)
6,609	3,355	69,552	92,731
178,580	56,605	311,084	816,453
<u>\$ 185,189</u>	<u>\$ 59,960</u>	<u>\$ 380,636</u>	<u>\$ 909,184</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 4.33

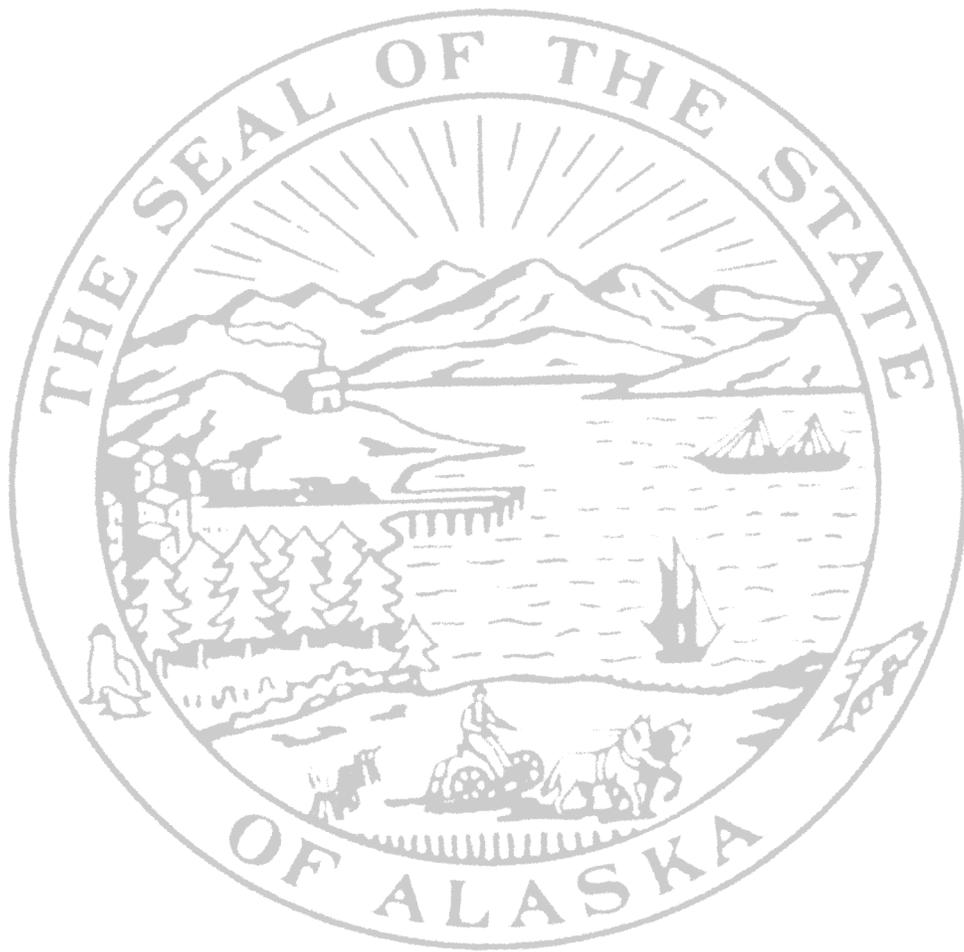
	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Other Governments	\$ -	\$ -	\$ -
Receipts from Customers	-	1	-
Receipts of Principal from Loan Recipients	-	1,119	8,885
Receipt of Interest and Fees from Loan Recipients	-	590	1,744
Receipts from Insured	-	-	-
Payments to Employees	-	(173)	-
Payments to Suppliers	-	(76)	-
Payments to Other Governments	-	-	(485)
Payments to Loan Recipients	-	(291)	(17,634)
Claims Paid	-	-	-
Payments for Interfund Services Used	-	-	-
Other Receipts	-	15	-
Other Payments	-	(72)	-
Net Cash Provided (Used) by Operating Activities	-	1,113	(7,490)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	-	(6)	(854)
Operating Subsidies and Transfers In from Other Funds	-	39	-
Federal Grants	-	-	11,610
Proceeds from Issuance of Short-term Debt	-	-	1,287
Payments on Short-term Debt	-	-	(1,287)
Interest and Fees Paid on Borrowing	-	-	(2)
Net Cash Provided (Used) by Noncapital Financing Activities	-	33	10,754
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Contributions	-	-	-
Proceeds from Sales of Capital Assets	-	(18)	-
Acquisition and Construction of Capital Assets	-	-	-
Federal Grants	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(18)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales/Maturities of Investments	-	4	-
Interest and Dividends on Investments	1	-	667
Net Cash Provided (Used) by Investing Activities	1	4	667
Net Increase (Decrease) in Cash	1	1,132	3,931
Cash and Cash Equivalents - Beginning of Year	219	6,357	115,764
Cash and Cash Equivalents - End of Year	\$ 220	\$ 7,489	\$ 119,695
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ -	\$ 150	\$ 1,918
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	-	20	-
Provision for Loan Losses and Forgiveness	-	-	-
Other Reconciling Items	-	15	-
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	-	(2)	(44)
Due From Other Funds	-	-	-
Due From Other Governments	-	-	-
Loans, Notes and Bonds Receivable - Net	-	792	(8,749)
Repossessed Property	-	16	-
Interest and Dividends Receivable - Net	-	28	(130)
Other Assets	-	37	-
Due to Other Funds	-	28	(316)
Due to Other Governments	-	7	-
Accounts Payable and Accrued Liabilities	-	-	(169)
Other Liabilities	-	22	-
Net Cash Provided (Used) by Operating Activities	\$ -	\$ 1,113	\$ (7,490)
Reconciliation of Cash to the Statement of Net Position:			
Total Cash and Investments per the Statement of Net Position	\$ 220	\$ 7,489	\$ 119,695
Cash, End of Year	\$ 220	\$ 7,489	\$ 119,695
Noncash investing, Capital, and Financing Activities:			
Contributed Capital Assets	-	-	-

STATEMENT 4.33

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Unemployment Compensation	Total Other Agencies Enterprise Funds
\$ -	\$ -	\$ 24,968	\$ 24,968
-	-	-	1
8,468	-	-	18,472
2,063	-	-	4,397
-	-	236,828	236,828
-	(909)	-	(1,082)
-	(2,137)	-	(2,213)
(14)	-	-	(499)
(6,526)	-	-	(24,451)
-	-	(192,763)	(192,763)
-	(592)	-	(592)
-	-	10	25
-	-	-	(72)
<u>3,991</u>	<u>(3,638)</u>	<u>69,043</u>	<u>63,019</u>
(3,746)	-	(3,645)	(8,251)
-	1,449	-	1,488
8,117	2,189	-	21,916
1,684	-	-	2,971
(1,684)	-	-	(2,971)
(3)	-	-	(5)
<u>4,368</u>	<u>3,638</u>	<u>(3,645)</u>	<u>15,148</u>
-	349	-	349
-	-	-	(18)
-	(3,563)	-	(3,563)
-	3,214	-	3,214
-	-	-	(18)
-	-	-	4
269	-	8,308	9,245
<u>269</u>	<u>-</u>	<u>8,308</u>	<u>9,249</u>
8,628	-	73,706	87,398
44,079	-	291,890	458,309
<u>\$ 52,707</u>	<u>\$ -</u>	<u>\$ 365,596</u>	<u>\$ 545,707</u>
\$ 1,972	\$ (3,327)	\$ 64,889	\$ 65,602
-	-	-	20
-	-	-	15
32	-	549	535
-	(182)	15	(167)
-	-	8	8
1,942	-	-	(6,015)
-	-	-	16
59	-	-	(43)
-	-	-	37
-	-	422	134
-	-	2,595	2,602
(14)	(105)	563	275
-	(24)	2	-
<u>\$ 3,991</u>	<u>\$ (3,638)</u>	<u>\$ 69,043</u>	<u>\$ 63,019</u>
<u>\$ 52,707</u>	<u>\$ -</u>	<u>\$ 365,596</u>	<u>\$ 545,707</u>
<u>\$ 52,707</u>	<u>\$ -</u>	<u>\$ 365,596</u>	<u>\$ 545,707</u>

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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 Position
Internal Service Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 4.41

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	\$ 34,337	\$ 11,171
Accounts Receivable - Net	-	227
Due from Other Funds	-	-
Inventories	-	-
Other Current Assets	1,607	2
Total Current Assets	<u>35,944</u>	<u>11,400</u>
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation	-	322
Buildings, Net of Depreciation	-	110,356
Construction in Progress	-	8,384
Total Noncurrent Assets	<u>-</u>	<u>119,062</u>
Total Assets	<u>35,944</u>	<u>130,462</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	18,448	1,174
Due to Other Funds	859	404
Claims, Judgments, Compensated Absences, and Pollution Remediation	5	131
Notes, Bonds, and Leases Payable	-	-
Total Current Liabilities	<u>19,312</u>	<u>1,709</u>
Noncurrent Liabilities:		
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-
Notes, Bonds, and Leases Payable	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>19,312</u>	<u>1,709</u>
NET POSITION		
Net Investment in Capital Assets	-	119,062
Unrestricted	16,632	9,691
Total Net Position	<u>\$ 16,632</u>	<u>\$ 128,753</u>

STATEMENT 4.41

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 10,922	\$ 55,776	\$ 112,206
23	135	385
2,283	4,090	6,373
-	3,802	3,802
2,365	2,070	6,044
<u>15,593</u>	<u>65,873</u>	<u>128,810</u>
57,380	132,031	189,733
-	-	110,356
1,510	-	9,894
<u>58,890</u>	<u>132,031</u>	<u>309,983</u>
<u>74,483</u>	<u>197,904</u>	<u>438,793</u>
1,171	1,928	22,721
-	-	1,263
1,307	1,375	2,818
-	629	629
<u>2,478</u>	<u>3,932</u>	<u>27,431</u>
361	458	819
-	2,671	2,671
<u>361</u>	<u>3,129</u>	<u>3,490</u>
<u>2,839</u>	<u>7,061</u>	<u>30,921</u>
58,890	128,731	306,683
12,754	62,112	101,189
<u>\$ 71,644</u>	<u>\$ 190,843</u>	<u>\$ 407,872</u>

STATE OF ALASKA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 4.42

	Group Health and Life Benefits	Alaska Public Building
OPERATING REVENUES		
Premiums and Contributions	\$ 124,675	\$ -
Charges for Goods and Services	-	16,294
Other Operating Revenues	594	-
Total Operating Revenues	<u>125,269</u>	<u>16,294</u>
OPERATING EXPENSES		
Benefits	129,947	-
Operating	3,983	12,862
Depreciation	-	5,378
Total Operating Expenses	<u>133,930</u>	<u>18,240</u>
Operating Income (Loss)	<u>(8,661)</u>	<u>(1,946)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	253	-
Interest and Investment Expense	-	(1)
Gain (Loss) on Disposal of Capital Assets	-	-
Other Nonoperating Revenues (Expenses)	-	-
Total Nonoperating Revenues (Expenses)	<u>253</u>	<u>(1)</u>
Income Before Capital Contributions and Transfers	<u>(8,408)</u>	<u>(1,947)</u>
Capital Contributions	-	4,950
Transfers In from Other Funds	-	167
Change in Net Position	<u>(8,408)</u>	<u>3,170</u>
Total Net Position - Beginning of Year	25,040	125,583
Total Net Position - End of Year	<u>\$ 16,632</u>	<u>\$ 128,753</u>

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ -	\$ -	\$ 124,675
37,314	58,330	111,938
-	-	594
<u>37,314</u>	<u>58,330</u>	<u>237,207</u>
-	-	129,947
50,533	35,653	103,031
8,012	17,445	30,835
<u>58,545</u>	<u>53,098</u>	<u>263,813</u>
<u>(21,231)</u>	<u>5,232</u>	<u>(26,606)</u>
-	-	253
-	-	(1)
-	131	131
-	192	192
<u>-</u>	<u>323</u>	<u>575</u>
(21,231)	5,555	(26,031)
6,680	5,860	17,490
14,385	1,475	16,027
(166)	12,890	7,486
71,810	177,953	400,386
<u>\$ 71,644</u>	<u>\$ 190,843</u>	<u>\$ 407,872</u>

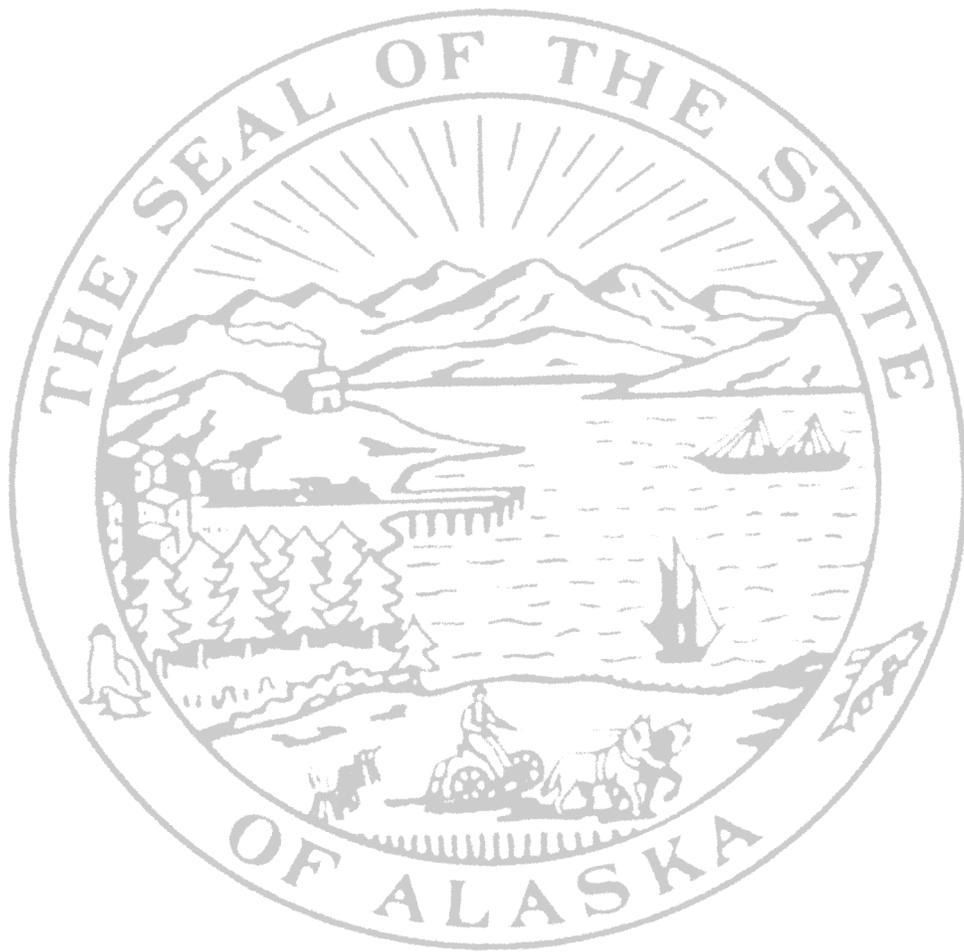
STATE OF ALASKA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 4.43

	Group Health and Life Benefits	Alaska Public Building
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$ -	\$ -
Receipts from Customers	-	244
Receipts for Interfund Services Provided	-	17,904
Receipts from Insured	124,707	-
Payments to Employees	(67)	(2,050)
Payments to Suppliers	(4,363)	(9,209)
Claims Paid	(131,642)	-
Payments for Interfund Services Used	-	(1,518)
Other Receipts	594	-
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	<u>(10,771)</u>	<u>5,371</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers In from Other Funds	-	167
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>167</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	-
Acquisition and Construction of Capital Assets	-	(2,461)
Proceeds from Capital Debt	-	-
Other Receipts (Payments)	-	(11)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(2,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	253	-
Net Cash Provided (Used) by Investing Activities	<u>253</u>	<u>-</u>
Net Increase (Decrease) in Cash	(10,518)	3,066
Cash and Cash Equivalents - Beginning of Year	44,855	8,105
Cash and Cash Equivalents - End of Year	<u>\$ 34,337</u>	<u>\$ 11,171</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (8,661)	\$ (1,946)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	-	5,378
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(560)	(15)
Due from Other Funds	-	1,869
Inventories	-	-
Other Assets	-	-
Due to Other Funds	(143)	404
Accounts Payable and Accrued Liabilities	(1,407)	(311)
Other Liabilities	-	(8)
Net Cash Provided (Used) by Operating Activities	<u>\$ (10,771)</u>	<u>\$ 5,371</u>
Reconciliation of Cash to the Statement of Net Position:		
Total Cash and Investments per the Statement of Net Position	\$ 34,337	\$ 11,171
Cash, End of Year	<u>\$ 34,337</u>	<u>\$ 11,171</u>
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets	-	4,950

STATEMENT 4.43

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
\$ 54	\$ -	\$ 54
3	-	247
37,094	59,592	114,590
-	-	124,707
(16,622)	(19,132)	(37,871)
(30,377)	(15,738)	(59,687)
-	-	(131,642)
(2,309)	-	(3,827)
-	-	594
-	(859)	(859)
<u>(12,157)</u>	<u>23,863</u>	<u>6,306</u>
14,385	1,475	16,027
<u>14,385</u>	<u>1,475</u>	<u>16,027</u>
-	2,143	2,143
(1,692)	(20,595)	(24,748)
-	3,300	3,300
-	192	181
<u>(1,692)</u>	<u>(14,960)</u>	<u>(19,124)</u>
-	-	253
-	-	253
536	10,378	3,462
10,386	45,398	108,744
<u>\$ 10,922</u>	<u>\$ 55,776</u>	<u>\$ 112,206</u>
\$ (21,231)	\$ 5,232	\$ (26,606)
8,012	17,445	30,835
(21)	156	(440)
(144)	1,106	2,831
-	(107)	(107)
2,563	1	2,564
-	-	261
(1,353)	30	(3,041)
17	-	9
<u>\$ (12,157)</u>	<u>\$ 23,863</u>	<u>\$ 6,306</u>
\$ 10,922	\$ 55,776	\$ 112,206
<u>\$ 10,922</u>	<u>\$ 55,776</u>	<u>\$ 112,206</u>
6,680	5,860	17,490



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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 39.35.535, AS 14.25.168, AS 22.25.090 – 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 Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 5.01

	Public Employees' Retirement		
	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits
ASSETS			
Cash and Cash Equivalents	\$ 252,123	\$ 18,932	\$ 230,543
Investments:			
Fixed Income	930,193	-	861,633
Domestic Equities	2,423,279	-	2,244,676
International Equities	1,884,542	-	1,745,645
Private Equity Pool	630,826	-	584,332
Absolute Return Pool	299,756	-	277,665
Real Assets	1,299,622	-	1,203,648
Collective Investment Funds	-	252,677	-
Pooled Investment Funds	-	233,614	-
Synthetic Investment Contracts	-	-	-
Deposits in Transit	-	-	-
Investment Loss Trust Fund Assets	-	-	-
Accounts Receivable - Net	7	-	1
Contributions Receivable	26,667	615	1,906
Interest and Dividends Receivable	-	-	-
Due from Other Funds	-	6,823	10,158
Other Assets	20	-	4,345
Total Assets	<u>7,747,035</u>	<u>512,661</u>	<u>7,164,552</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	9,956	375	1,085
Forfeiture Payable to Employer	-	17,613	-
Claims Payable	-	-	48,280
Due to Other Funds	5,641	-	-
Total Liabilities	<u>15,597</u>	<u>17,988</u>	<u>49,365</u>
NET POSITION			
Held in Trust for:			
Pension Benefits	7,731,438	-	-
Postemployment Benefits	-	-	7,115,187
Individuals, Organizations, and Other Governments	-	494,673	-
Total Net Position	<u>\$ 7,731,438</u>	<u>\$ 494,673</u>	<u>\$ 7,115,187</u>

STATEMENT 5.01

Teachers' Retirement		
Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits
\$ 123,198	\$ 6,030	\$ 75,102
454,337	-	280,648
1,183,608	-	731,127
920,471	-	568,586
308,116	-	190,326
146,411	-	90,439
634,778	-	392,046
-	105,417	-
-	107,675	-
-	-	-
-	-	-
3	-	-
4,140	67	110
-	-	-
-	2,245	1,688
-	-	1,497
<u>3,775,062</u>	<u>221,434</u>	<u>2,331,569</u>
3,549	169	271
-	5,997	-
-	-	18,979
374	-	-
<u>3,923</u>	<u>6,166</u>	<u>19,250</u>
3,771,139	-	-
-	-	2,312,319
-	215,268	-
<u>\$ 3,771,139</u>	<u>\$ 215,268</u>	<u>\$ 2,312,319</u>

This statement continued on the next page.

STATE OF ALASKA
Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2014
(Stated in Thousands)

STATEMENT 5.01

	Judicial Retirement		Alaska National Guard and Alaska Naval Militia Retirement
	Pension	Other Postemployment Benefits	
ASSETS			
Cash and Cash Equivalents	\$ 4,554	\$ 853	\$ 1,124
Investments:			
Fixed Income	16,800	3,183	18,000
Domestic Equities	43,766	8,291	10,905
International Equities	34,036	6,448	7,527
Private Equity Pool	11,393	2,159	-
Absolute Return Pool	5,413	1,026	-
Real Assets	23,472	4,446	-
Collective Investment Funds	-	-	-
Pooled Investment Funds	-	-	-
Synthetic Investment Contracts	-	-	-
Deposits in Transit	-	-	-
Investment Loss Trust Fund Assets	-	-	-
Accounts Receivable - Net	-	-	-
Contributions Receivable	227	29	-
Interest and Dividends Receivable	-	-	-
Due from Other Funds	-	-	-
Other Assets	-	13	-
Total Assets	<u>139,661</u>	<u>26,448</u>	<u>37,556</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	92	3	69
Forfeiture Payable to Employer	-	-	-
Claims Payable	-	135	-
Due to Other Funds	22	8	20
Total Liabilities	<u>114</u>	<u>146</u>	<u>89</u>
NET POSITION			
Held in Trust for:			
Pension Benefits	139,547	-	37,467
Postemployment Benefits	-	26,302	-
Individuals, Organizations, and Other Governments	-	-	-
Total Net Position	<u>\$ 139,547</u>	<u>\$ 26,302</u>	<u>\$ 37,467</u>

STATEMENT 5.01

Deferred Compensation	Supplemental Benefits	Retiree Health	Total Pension and Other Employee Benefit Trust Funds
\$ 1,834	\$ 2,160	\$ 103,670	\$ 820,123
-	-	145,732	2,710,526
-	-	97,664	6,743,316
-	-	50,501	5,217,756
-	-	-	1,727,152
-	-	-	820,710
-	-	-	3,558,012
491,601	889,545	-	1,739,240
114,127	2,077,356	-	2,532,772
188,921	355,827	-	544,748
-	224	-	224
-	1,935	-	1,935
42	35	-	88
1,898	7,691	-	43,350
-	-	12	12
-	5,628	96	26,638
-	-	1,554	7,429
<u>798,423</u>	<u>3,340,401</u>	<u>399,229</u>	<u>26,494,031</u>
1,754	7,951	664	25,938
-	-	-	23,610
-	1,961	25,082	94,437
77	-	131	6,273
<u>1,831</u>	<u>9,912</u>	<u>25,877</u>	<u>150,258</u>
-	-	-	11,679,591
-	-	373,352	9,827,160
796,592	3,330,489	-	4,837,022
<u>\$ 796,592</u>	<u>\$ 3,330,489</u>	<u>\$ 373,352</u>	<u>\$ 26,343,773</u>

STATE OF ALASKA
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 5.02

	Public Employees' Retirement		
	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	\$ 206,204	\$ 33,942	236,987
Member	106,565	61,989	725
Other	176,794	-	135,679
Total Premiums and Contributions	<u>489,563</u>	<u>95,931</u>	<u>373,391</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	1,106,071	75,137	999,920
Interest	28,788	17	26,149
Dividends	103,516	-	94,504
Total Investment Income	<u>1,238,375</u>	<u>75,154</u>	<u>1,120,573</u>
Less Investment Expense	<u>30,891</u>	<u>1,123</u>	<u>35</u>
Net Investment Income	<u>1,207,484</u>	<u>74,031</u>	<u>1,120,538</u>
Other Additions			
Other	49	21	17,368
Total Additions	<u>1,697,096</u>	<u>169,983</u>	<u>1,511,297</u>
DEDUCTIONS			
Benefits Paid	640,518	-	355,611
Refunds of Premiums and Contributions	11,399	19,104	-
Administrative Expenses	8,223	2,324	11,698
Total Deductions	<u>660,140</u>	<u>21,428</u>	<u>367,309</u>
Net Increase (Decrease) in Net Position Held in Trust for:			
Pension Benefits	1,036,956	-	-
Postemployment Benefits	-	-	1,143,988
Individuals, Organizations, and Other Governments	-	148,555	-
Net Position - Beginning of the Year	<u>6,694,482</u>	<u>346,118</u>	<u>5,971,199</u>
Net Position - End of the Year	<u>\$ 7,731,438</u>	<u>\$ 494,673</u>	<u>7,115,187</u>

STATEMENT 5.02

Teachers' Retirement		
Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits
\$ 37,571	\$ 16,098	\$ 40,977
47,724	20,326	263
208,890	-	107,956
<u>294,185</u>	<u>36,424</u>	<u>149,196</u>
547,138	32,360	325,992
14,255	6	8,542
51,247	-	30,894
<u>612,640</u>	<u>32,366</u>	<u>365,428</u>
12,682	479	11
<u>599,958</u>	<u>31,887</u>	<u>365,417</u>
27	4	6,223
<u>894,170</u>	<u>68,315</u>	<u>520,836</u>
396,614	-	116,781
2,387	5,352	-
3,160	929	4,344
<u>402,161</u>	<u>6,281</u>	<u>121,125</u>
492,009	-	-
-	-	399,711
-	62,034	-
3,279,130	153,234	1,912,608
<u>\$ 3,771,139</u>	<u>\$ 215,268</u>	<u>\$ 2,312,319</u>

This statement continued on next page.

STATE OF ALASKA
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 5.02

	Judicial Retirement		Alaska National Guard and Alaska Naval Militia Retirement
	Pension	Healthcare	
ADDITIONS			
Premiums and Contributions:			
Employer	\$ 4,579	\$ 704	\$ 740
Member	780	-	-
Other	4,283	177	-
Total Premiums and Contributions	<u>9,642</u>	<u>881</u>	<u>740</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	19,815	3,696	3,807
Interest	516	97	402
Dividends	1,859	348	399
Total Investment Income	<u>22,190</u>	<u>4,141</u>	<u>4,608</u>
Less Investment Expense	345	-	81
Net Investment Income	<u>21,845</u>	<u>4,141</u>	<u>4,527</u>
Other Additions			
Other	-	67	-
Total Additions	<u>31,487</u>	<u>5,089</u>	<u>5,267</u>
DEDUCTIONS			
Benefits Paid	10,578	1,239	1,610
Refunds of Premiums and Contributions	-	-	-
Administrative Expenses	66	40	223
Total Deductions	<u>10,644</u>	<u>1,279</u>	<u>1,833</u>
Net Increase (Decrease) in Net Position Held in Trust for:			
Pension Benefits	20,843	-	3,434
Postemployment Benefits	-	3,810	-
Individuals, Organizations, and Other Governments	-	-	-
Net Position - Beginning of the Year	<u>118,704</u>	<u>22,492</u>	<u>34,033</u>
Net Position - End of the Year	<u>\$ 139,547</u>	<u>\$ 26,302</u>	<u>\$ 37,467</u>

STATEMENT 5.02

Deferred Compensation	Supplemental Benefits	Retiree Health	Total Pension and Other Employee Benefit Trust Funds
\$ -	\$ 116,416	\$ 1,787	\$ 696,005
66,382	127,782	67,279	499,815
42	47	-	633,868
<u>66,424</u>	<u>244,245</u>	<u>69,066</u>	<u>1,829,688</u>
141,534	475,416	30,749	3,761,635
-	9	3,708	82,489
-	-	1,903	284,670
<u>141,534</u>	<u>475,425</u>	<u>36,360</u>	<u>4,128,794</u>
3,639	9,587	89	58,962
<u>137,895</u>	<u>465,838</u>	<u>36,271</u>	<u>4,069,832</u>
-	35	122	23,916
<u>204,319</u>	<u>710,118</u>	<u>105,459</u>	<u>5,923,436</u>
66,897	239,286	51,670	1,880,804
-	-	-	38,242
1,559	7,233	1,901	41,700
<u>68,456</u>	<u>246,519</u>	<u>53,571</u>	<u>1,960,746</u>
-	-	-	1,553,242
-	-	51,888	1,599,397
135,863	463,599	-	810,051
660,729	2,866,890	321,464	22,381,083
<u>\$ 796,592</u>	<u>\$ 3,330,489</u>	<u>\$ 373,352</u>	<u>\$ 26,343,773</u>

STATE OF ALASKA
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2014
 (Stated in Thousands)

STATEMENT 5.11

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	\$ 305,267	\$ 130
Investments	-	-
Accounts Receivable - Net	7	-
Due from Other Funds	3,854	-
Total Assets	<u>\$ 309,128</u>	<u>\$ 130</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 4,666	\$ 28
Trust Deposits Payable	297,500	102
Due to Other Funds	6,962	-
Total Liabilities	<u>\$ 309,128</u>	<u>\$ 130</u>

STATEMENT 5.11

Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
\$ 22,407	\$ -	\$ -	\$ 327,804
-	222,942	-	222,942
-	-	-	7
-	-	-	3,854
<u>\$ 22,407</u>	<u>\$ 222,942</u>	<u>\$ -</u>	<u>\$ 554,607</u>
\$ -	\$ -	\$ -	\$ 4,694
22,343	222,849	-	542,794
64	93	-	7,119
<u>\$ 22,407</u>	<u>\$ 222,942</u>	<u>\$ -</u>	<u>\$ 554,607</u>

STATE OF ALASKA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 339,245	\$ 449,812	\$ 483,790	\$ 305,267
Accounts Receivable - Net	4	4	1	7
Due from Other Funds	2,770	3,854	2,770	3,854
Other Assets	1	-	1	-
Total Assets	<u>\$ 342,020</u>	<u>\$ 453,670</u>	<u>\$ 486,562</u>	<u>\$ 309,128</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 5,459	\$ 75,872	\$ 76,665	\$ 4,666
Trust Deposits Payable	328,776	446,301	477,577	297,500
Due to Other Funds	7,785	6,962	7,785	6,962
Total Liabilities	<u>\$ 342,020</u>	<u>\$ 529,135</u>	<u>\$ 562,027</u>	<u>\$ 309,128</u>
<u>WAGE AND HOUR</u>				
ASSETS				
Cash and Cash Equivalents	\$ 187	\$ 173	\$ 230	\$ 130
Total Assets	<u>\$ 187</u>	<u>\$ 173</u>	<u>\$ 230</u>	<u>\$ 130</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 6	\$ 252	\$ 230	\$ 28
Trust Deposits Payable	180	174	252	102
Due to Other Funds	1	-	1	-
Total Liabilities	<u>\$ 187</u>	<u>\$ 426</u>	<u>\$ 483</u>	<u>\$ 130</u>
<u>PUBLIC ADVOCACY</u>				
ASSETS				
Cash and Cash Equivalents	\$ 20,904	\$ 23,538	\$ 22,035	\$ 22,407
Total Assets	<u>\$ 20,904</u>	<u>\$ 23,538</u>	<u>\$ 22,035</u>	<u>\$ 22,407</u>
LIABILITIES				
Trust Deposits Payable	\$ 20,784	\$ 15,129	\$ 13,570	\$ 22,343
Due to Other Funds	120	64	120	64
Total Liabilities	<u>\$ 20,904</u>	<u>\$ 15,193</u>	<u>\$ 13,690</u>	<u>\$ 22,407</u>
<u>EXXON VALDEZ OIL SPILL INVESTMENT</u>				
ASSETS				
Investments	\$ 195,015	\$ 109,705	\$ 81,778	\$ 222,942
Total Assets	<u>\$ 195,015</u>	<u>\$ 109,705</u>	<u>\$ 81,778</u>	<u>\$ 222,942</u>
LIABILITIES				
Trust Deposits Payable	\$ 194,935	\$ 109,612	\$ 81,698	\$ 222,849
Due to Other Funds	80	93	80	93
Total Liabilities	<u>\$ 195,015</u>	<u>\$ 109,705</u>	<u>\$ 81,778</u>	<u>\$ 222,942</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, 2014
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>IMPACT AID PL 103-382</u>				
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 33,787	\$ 33,787	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 33,787</u>	<u>\$ 33,787</u>	<u>\$ -</u>
LIABILITIES				
Trust Deposits Payable	\$ -	\$ 1,570	\$ 1,570	\$ -
Due to Other Funds	-	35,358	35,358	-
Total Liabilities	<u>\$ -</u>	<u>\$ 36,928</u>	<u>\$ 36,928</u>	<u>\$ -</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 360,336	\$ 507,310	\$ 539,842	\$ 327,804
Investments	195,015	109,705	81,778	222,942
Accounts Receivable - Net	4	4	1	7
Due from Other Funds	2,770	3,854	2,770	3,854
Other Assets	1	-	1	-
Total Assets	<u>\$ 558,126</u>	<u>\$ 620,873</u>	<u>\$ 624,392</u>	<u>\$ 554,607</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 5,465	\$ 76,124	\$ 76,895	\$ 4,694
Trust Deposits Payable	544,675	572,786	574,667	542,794
Due to Other Funds	7,986	42,477	43,344	7,119
Total Liabilities	<u>\$ 558,126</u>	<u>\$ 691,387</u>	<u>\$ 694,906</u>	<u>\$ 554,607</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 26.27.010 – is a public corporation of the State located for administrative purposes within the Department of Military and Veterans Affairs. 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 Gasline Development Corporation (AGDC)** – AS 31.25.010 - is a public corporation and government instrumentality located for administrative purposes in the Department of Commerce, Community and Economic Development, but having a legal existence independent of and separate from the state. Sec. 31.25.005. The purpose of AGDC is to develop natural gas pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms to deliver natural gas in-state for the maximum benefit of the people of the state; to assist the state departments to maximize the value of the state's royalty natural gas, natural gas delivered to the state as payment of tax, and other natural gas received by the state.
- **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 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 Position
Nonmajor Component Units
June 30, 2014
(Stated in Thousands)

STATEMENT 6.01

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority
ASSETS				
Cash and Investments	\$ 77,781	\$ 28,452	\$ 41,136	\$ 1,152,420
Accounts Receivable - Net	-	-	16,388	3,704
Interest and Dividends Receivable	10,421	2,257	-	1,041
Due from Primary Government	-	-	5,860	18,209
Due from Other Governments	-	-	18,877	2,595
Loans, Notes, and Bonds Receivable	905,607	51,740	-	6,144
Inventories	-	-	10,327	-
Restricted Assets	-	385,831	20,414	36,194
Securities Lending Collateral	-	-	-	-
Other Assets	-	370	13,711	5
Capital Assets:				
Equipment, Net of Depreciation	-	-	145,414	139
Buildings, Net of Depreciation	-	-	515	-
Infrastructure, Net of Depreciation	-	-	537,818	186,503
Land / Right-of-Way	-	-	35,205	11,212
Construction in Progress	-	-	192,415	143,148
Total Assets	<u>993,809</u>	<u>468,650</u>	<u>1,038,080</u>	<u>1,561,314</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Bond Refundings	-	-	-	131
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>131</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	67	690	28,630	45,829
Obligations Under Securities Lending	-	-	-	-
Due to Primary Government	121	2,875	162	18,925
Due to Component Units	-	-	-	6,601
Due to Other Governments	-	997	-	-
Interest Payable	10,451	342	2,280	2,185
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	624	-
Unearned Revenue	-	-	3,619	-
Notes, Bonds, and Leases Payable	53,070	54,909	14,489	7,735
Other Noncurrent Liabilities	3,131	-	-	351
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	-	-	1,849	-
Unearned Revenue	-	-	-	-
Notes, Bonds, and Leases Payable	870,405	188,168	121,484	71,155
Other Noncurrent Liabilities	-	1,124	754	1,117
Total Liabilities	<u>937,245</u>	<u>249,105</u>	<u>173,891</u>	<u>153,898</u>
DEFERRED INFLOWS OF RESOURCES				
Accrued Pension Benefits	-	-	5,661	-
Grant Revenue	-	-	580,297	-
Original Issue Premium on Bond Refundings	-	-	-	1,354
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>585,958</u>	<u>1,354</u>
NET POSITION				
Net Investment in Capital Assets	-	-	195,097	262,112
Restricted for:				
Permanent Funds				
Nonexpendable	-	-	-	-
Expendable	-	-	-	-
Education	-	137,927	-	-
Development	-	-	83,134	-
Debt Service	40,270	-	-	21,007
Other Purposes	-	-	-	8,526
Unrestricted	16,294	81,618	-	1,114,548
Total Net Position	<u>\$ 56,564</u>	<u>\$ 219,545</u>	<u>\$ 278,231</u>	<u>\$ 1,406,193</u>

STATEMENT 6.01

Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Seafood Marketing Institute	Alaska Gasline Development Corporation	Total Nonmajor Component Units
\$ 11,441	\$ 581,213	\$ 10,042	\$ 391,107	\$ 2,293,592
2,506	14	-	-	22,612
-	2,691	-	-	16,410
-	-	9,873	55	33,997
-	-	1,643	-	23,115
-	4,705	-	-	968,196
-	-	-	-	10,327
-	-	-	-	442,439
-	12,541	-	-	12,541
-	6	168	690	14,950
33,161	30	-	910	179,654
28,610	4,880	-	-	34,005
7,955	-	-	-	732,276
-	4,416	-	-	50,833
1,118	-	-	-	336,681
<u>84,791</u>	<u>610,496</u>	<u>21,726</u>	<u>392,762</u>	<u>5,171,628</u>
-	-	-	-	131
-	-	-	-	131
670	10,107	3,517	16,968	106,478
-	12,541	-	-	12,541
-	426	-	-	22,509
-	-	-	4,696	11,297
-	-	-	-	997
-	-	-	-	15,258
456	651	229	216	2,176
-	1,138	-	-	4,757
-	-	-	-	130,203
-	-	-	-	3,482
-	-	101	371	2,321
6,147	-	-	-	6,147
-	-	-	-	1,251,212
-	-	-	-	2,995
<u>7,273</u>	<u>24,863</u>	<u>3,847</u>	<u>22,251</u>	<u>1,572,373</u>
-	-	-	-	5,661
-	-	-	-	580,297
-	-	-	-	1,354
-	-	-	-	587,312
70,844	9,326	-	910	538,289
-	438,547	-	-	438,547
-	137,760	-	-	137,760
-	-	-	-	137,927
-	-	-	369,601	452,735
-	-	-	-	61,277
-	-	17,879	-	26,405
6,674	-	-	-	1,219,134
<u>\$ 77,518</u>	<u>\$ 585,633</u>	<u>\$ 17,879</u>	<u>\$ 370,511</u>	<u>\$ 3,012,074</u>

STATE OF ALASKA
 Combining Statement of Activities
 Nonmajor Component Units
 For the Fiscal Year Ended June 30, 2014
 (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	\$ 36,448	\$ 34,753	\$ -	\$ -
Alaska Student Loan Corporation	22,954	26,169	-	-
Alaska Railroad Corporation	166,055	143,744	14,049	30,914
Alaska Energy Authority	156,499	17,900	84,883	105,875
Alaska Aerospace Corporation	15,262	3,372	8,521	291
Alaska Mental Health Trust Authority	24,607	10,032	72,763	-
Alaska Seafood Marketing Institute	20,095	31	4,158	-
Alaska Gasline Development Corporation	73,851	-	-	-
Total Nonmajor Component Units	<u>\$ 515,771</u>	<u>\$ 236,001</u>	<u>\$ 184,374</u>	<u>\$ 137,080</u>

General Revenues:
 Taxes
 Severance Taxes
 Interest and Investment Income (Loss)
 Payments In from Primary Government
 Other Revenues
 Total General Revenues, Transfers, Special Items,
 and Extraordinary Items
 Change in Net Position
 Net Position - Beginning of Year (restated)
 Net Position - End of Year

Net (Expense) Revenue and Changes in Net Position								
Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Seafood Marketing Institute	Alaska Gasline Development Corporation	Total Nonmajor Component Units
\$ (1,695)	\$ 3,215	\$ 22,652	\$ 52,159	\$ (3,078)	\$ 58,188	\$ (15,906)	\$ (73,851)	\$ (1,695)
								3,215
								22,652
								52,159
								(3,078)
								58,188
								(15,906)
								(73,851)
<u>(1,695)</u>	<u>3,215</u>	<u>22,652</u>	<u>52,159</u>	<u>(3,078)</u>	<u>58,188</u>	<u>(15,906)</u>	<u>(73,851)</u>	<u>41,684</u>
-	-	-	-	-	-	10,233	-	10,233
860	295	37	173,093	492	-	-	2,047	176,824
-	-	-	-	-	-	7,988	425,131	433,119
-	-	-	28	-	-	159	-	187
<u>860</u>	<u>295</u>	<u>37</u>	<u>173,121</u>	<u>492</u>	<u>-</u>	<u>18,380</u>	<u>427,178</u>	<u>620,363</u>
<u>(835)</u>	<u>3,510</u>	<u>22,689</u>	<u>225,280</u>	<u>(2,586)</u>	<u>58,188</u>	<u>2,474</u>	<u>353,327</u>	<u>662,047</u>
<u>57,399</u>	<u>216,035</u>	<u>255,542</u>	<u>1,180,913</u>	<u>80,104</u>	<u>527,445</u>	<u>15,405</u>	<u>17,184</u>	<u>2,350,027</u>
<u>\$ 56,564</u>	<u>\$ 219,545</u>	<u>\$ 278,231</u>	<u>\$ 1,406,193</u>	<u>\$ 77,518</u>	<u>\$ 585,633</u>	<u>\$ 17,879</u>	<u>\$ 370,511</u>	<u>\$ 3,012,074</u>



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Other Supplementary Information



STATE OF ALASKA
 Balance Sheet
 Nonmajor Component Unit Without Separately Issued Financial Statements
 June 30, 2014
 (Stated in Thousands)

STATEMENT 6.03

	Alaska Seafood Marketing Institute
ASSETS	
Cash and Investments	\$ 10,042
Due from Primary Government	9,873
Due from Other Governments	1,643
Other Assets	168
Total Assets	<u>21,726</u>
Total Assets	<u><u>\$ 21,726</u></u>
 LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 3,517
Total Liabilities	<u>3,517</u>
 FUND BALANCES	
Reserved:	
Other Purposes	18,209
Total Fund Balances	<u>18,209</u>
Total Liabilities and Fund Balances	<u><u>\$ 21,726</u></u>
 Reconciliation of the Balance Sheet to the Statement of Net Position:	
Total Fund Balances - Governmental Fund:	\$ 18,209
Amounts reported for governmental activities in the Statement of Net Position 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	(330)
Net Position of Governmental Activities	<u><u>\$ 17,879</u></u>

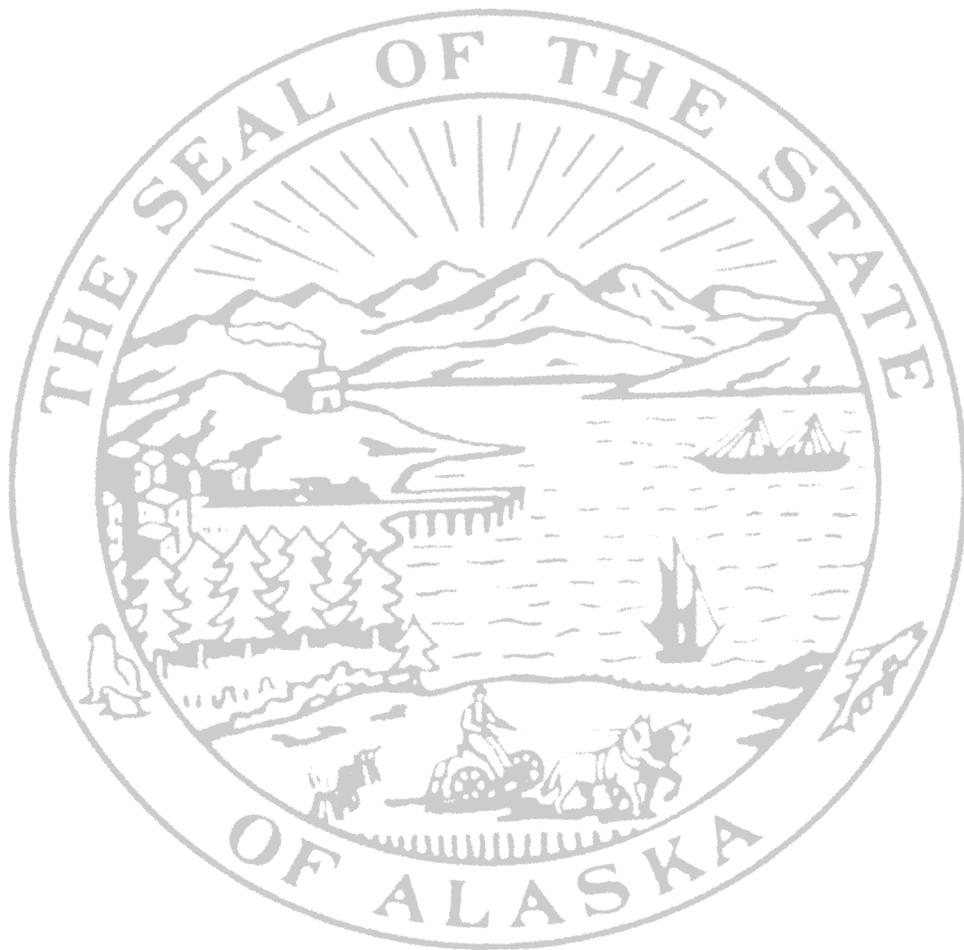
STATE OF ALASKA
Statement of Revenues, Expenditures, and Change in Fund Balances
Nonmajor Component Unit Without Separately Issued Financial Statements
For the Fiscal Year Ended June 30, 2014
(Stated in Thousands)

STATEMENT 6.04

	Alaska Seafood Marketing Institute
REVENUES	
Taxes	\$ 10,233
Charges for Services	31
Federal Grants in Aid	4,158
Total Revenues	<u>14,422</u>
EXPENDITURES	
Current:	
Development	20,073
Total Expenditures	<u>20,073</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,651)</u>
OTHER FINANCING SOURCES (USES)	
Other Revenue	159
Payments in from Primary Government	7,988
Total Other Financing Sources and Uses	<u>8,147</u>
Net Change in Fund Balances	2,496
Fund Balances - Beginning of Year	15,713
Fund Balances - End of Year	<u>\$ 18,209</u>

Reconciliation of the Change in Fund Balances to the Statement of Activities:

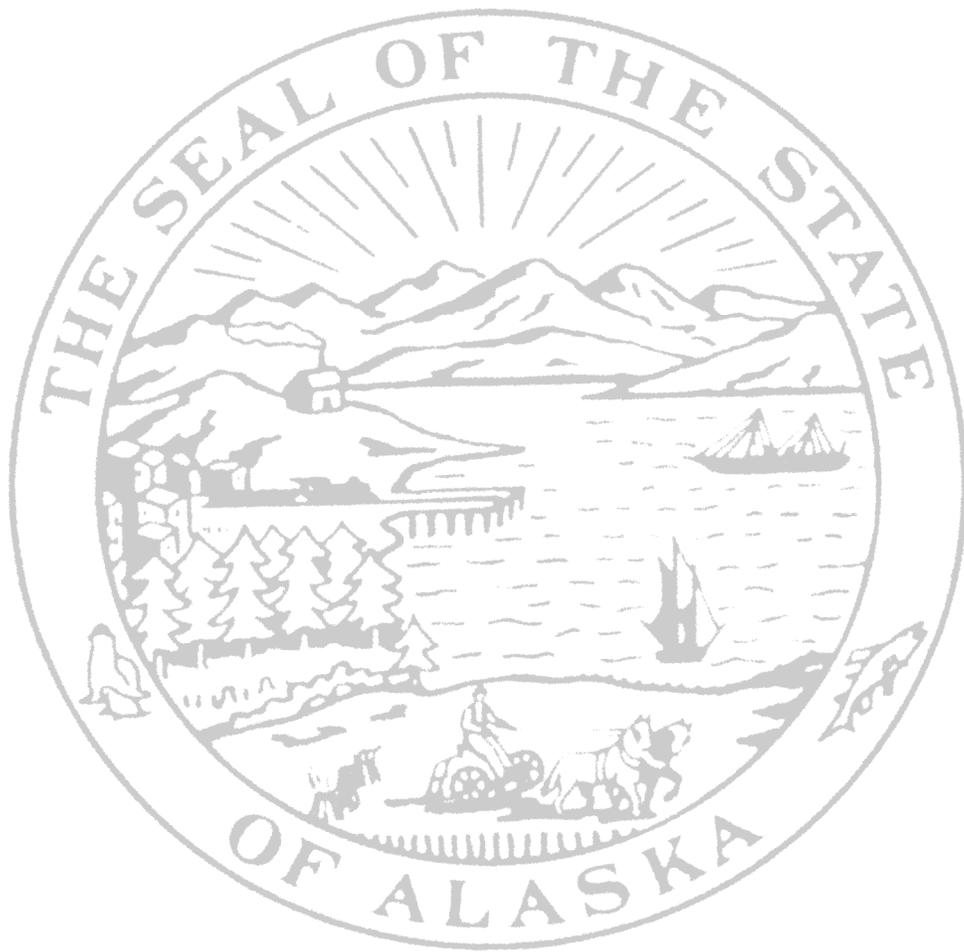
Net Change in Fund Balances - Governmental Fund:	\$ 2,496
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Expenses not reported in the fund:	
Compensated Absences	(22)
Change in Net Position of Governmental Activities:	<u>\$ 2,474</u>



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Statistical Section





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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

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>	252
Revenue Capacity (Schedules B-1 through B-3) <i>These schedules contain information to help the reader assess the state's most significant revenue sources: investment income, oil severance taxes, and oil royalties.</i>	262
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>	266
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>	269
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>	272

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 Position By Component
Last Ten Fiscal Years
(Stated in Thousands)

SCHEDULE A-1

	2014	2013	2012	2011
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	\$ 6,205,097	\$ 5,940,490	\$ 5,784,736	\$ 5,618,713
Restricted ^a	45,797,266	41,811,811	39,109,760	38,808,084
Unrestricted	28,015,987	26,270,988	23,398,603	20,099,413
Total Governmental Activities Net Position	<u>80,018,350</u>	<u>74,023,289</u>	<u>68,293,099</u>	<u>64,526,210</u>
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	868,403	847,214	805,993	783,353
Restricted	865,739	777,552	680,149	670,492
Unrestricted	350,713	357,143	343,417	292,783
Total Business-type Activities Net Position	<u>2,084,855</u>	<u>1,981,909</u>	<u>1,829,559</u>	<u>1,746,628</u>
Primary Government:				
Invested in Capital Assets, Net of Related Debt	7,073,500	6,787,704	6,590,729	6,402,066
Restricted	46,663,005	42,589,363	39,789,909	39,478,576
Unrestricted	28,366,700	26,628,131	23,742,020	20,392,196
Total Primary Government Net Position	<u>\$ 82,103,205</u>	<u>\$ 76,005,198</u>	<u>\$ 70,122,658</u>	<u>\$ 66,272,838</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

2010	2009	2008	2007	2006	2005
\$ 5,429,469	\$ 5,293,353	\$ 5,063,796	\$ 4,968,171	\$ 4,721,066	\$ 4,654,684
32,819,206	30,007,939	31,421,373	34,200,958	30,772,290	28,935,899
16,423,342	14,625,134	19,398,314	11,425,419	7,539,120	5,185,548
<u>54,672,017</u>	<u>49,926,426</u>	<u>55,883,483</u>	<u>50,594,548</u>	<u>43,032,476</u>	<u>38,776,131</u>
765,841	706,236	677,900	596,997	535,585	483,883
679,259	712,350	688,485	614,880	527,509	467,604
317,371	327,661	311,346	330,553	340,555	341,845
<u>1,762,471</u>	<u>1,746,247</u>	<u>1,677,731</u>	<u>1,542,430</u>	<u>1,403,649</u>	<u>1,293,332</u>
6,195,310	5,999,589	5,741,696	5,565,168	5,256,651	5,138,567
33,498,465	30,720,289	32,109,858	34,815,838	31,299,799	29,403,503
16,740,713	14,952,795	19,709,660	11,755,972	7,879,675	5,527,393
<u>\$ 56,434,488</u>	<u>\$ 51,672,673</u>	<u>\$ 57,561,214</u>	<u>\$ 52,136,978</u>	<u>\$ 44,436,125</u>	<u>\$ 40,069,463</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

	2014	2013	2012	2011
Program Revenues				
Governmental Activities:				
Charges for Services				
General Government	\$ 12,442	\$ 12,374	\$ 13,807	\$ 10,940
Education	3,779	4,123	2,977	3,195
University	-	-	-	-
Health and Human Services	49,545	48,904	45,775	43,166
Law and Justice	12,771	12,960	19,267	17,294
Public Protection	170,439	179,861	159,589	157,898
Natural Resources	2,612,946	2,864,093	3,053,020	2,798,551
Development	2,723	2,472	18,277	994
Transportation	63,234	65,158	60,945	59,215
Debt Service	-	-	-	-
Operating Grants and Contributions	1,809,703	1,866,903	1,827,888	2,029,375
Capital Grants and Contributions	681,189	651,304	648,810	659,305
Total Governmental Activities Program Revenues	5,418,771	5,708,152	5,850,355	5,779,933
Business-type Activities:				
Charges for Services				
Loans	10,144	11,477	12,030	12,652
Unemployment Compensation	236,266	237,694	200,070	190,321
Airports	123,896	107,864	106,764	106,604
Development	1,851	1,765	1,349	1,212
Operating Grants and Contributions	25,558	80,780	117,929	106,801
Capital Grants and Contributions	80,351	109,152	110,804	48,419
Total Business-type Activities Program Revenues	478,066	548,732	548,946	466,009
Total Primary Government Program Revenues	\$ 5,896,837	\$ 6,256,884	\$ 6,399,301	\$ 6,245,942
Expenses				
Governmental Activities:				
General Government	\$ 553,636	\$ 572,776	\$ 504,434	\$ 466,540
Alaska Permanent Fund Dividend ^{a b}	570,590	562,621	757,576	817,894
Education	2,080,526	2,076,009	1,912,994	1,864,934
University	595,060	568,955	492,576	449,650
Health and Human Services	2,587,529	2,717,565	2,596,033	2,420,412
Law and Justice	270,022	266,949	277,816	187,722
Public Protection	804,823	729,682	703,039	740,113
Natural Resources	383,338	376,333	403,746	394,500
Development	1,123,531	700,695	597,796	892,847
Transportation	1,403,539	1,156,853	1,110,674	1,026,604
Intergovernmental Revenue Sharing	262,001	287,028	254,159	189,741
Debt Service	64,885	64,334	72,718	50,864
Total Governmental Activities Expenses	10,699,480	10,079,800	9,683,561	9,501,821
Business-type Activities:				
Loans	10,197	8,350	11,190	5,095
Unemployment Compensation	196,345	258,709	302,406	325,040
Airports	157,367	151,125	144,009	134,020
Development	5,149	4,820	6,254	2,633
Total Business-type Activities Expenses	369,058	423,004	463,859	466,788
Total Primary Government Expenses	\$ 11,068,538	\$ 10,502,804	\$ 10,147,420	\$ 9,968,609
Net (Expense)/Revenue (To Schedule A-3)				
Governmental Activities	\$ (5,280,709)	\$ (4,371,648)	\$ (3,833,206)	\$ (3,721,888)
Business-type Activities	109,008	125,728	85,087	(779)
Total Primary Government Net Expense	\$ (5,171,701)	\$ (4,245,920)	\$ (3,748,119)	\$ (3,722,667)

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

2010	2009	2008	2007	2006	2005
\$ 10,706	\$ 10,148	\$ 11,754	\$ 11,058	\$ 13,908	\$ 20,448
3,277	3,045	2,829	2,689	2,895	2,477
10	15	29	-	-	-
41,816	41,375	39,492	39,144	29,774	30,754
10,604	19,485	12,607	12,142	9,736	10,959
160,851	158,994	163,320	172,762	138,192	134,817
2,278,392	2,322,398	3,404,033	2,207,217	2,460,023	1,967,523
1,264	16,634	6,884	15,669	6,840	4,744
54,746	57,306	68,105	68,042	63,257	48,506
1,320	-	-	-	-	-
1,912,537	1,488,782	1,354,695	1,463,791	1,460,145	1,400,904
591,510	633,661	612,769	632,829	618,554	642,311
<u>5,067,033</u>	<u>4,751,843</u>	<u>5,676,517</u>	<u>4,625,343</u>	<u>4,803,324</u>	<u>4,263,443</u>
16,372	11,818	9,175	9,655	9,116	10,006
168,524	178,073	149,699	169,070	168,942	148,354
105,441	95,244	118,874	115,490	103,999	99,375
1,068	1,034	1,087	-	-	-
99,940	19,115	21,717	16,400	19,262	17,485
84,170	78,720	83,922	79,588	73,570	84,249
<u>475,515</u>	<u>384,004</u>	<u>384,474</u>	<u>390,203</u>	<u>374,889</u>	<u>359,469</u>
<u>\$ 5,542,548</u>	<u>\$ 5,135,847</u>	<u>\$ 6,060,991</u>	<u>\$ 5,015,546</u>	<u>\$ 5,178,213</u>	<u>\$ 4,622,912</u>
\$ 423,411	\$ 515,981	\$ 520,244	\$ 326,205	\$ 292,265	\$ 254,680
817,162	2,015,974	990,379	658,294	505,093	552,232
1,688,586	1,647,531	1,705,227	1,364,756	1,251,111	1,143,197
404,071	410,805	382,463	319,963	271,687	244,927
2,261,984	2,067,733	1,869,940	1,827,623	1,768,611	1,832,252
241,021	270,299	213,076	180,837	175,878	147,606
696,937	609,253	584,423	557,792	535,877	517,875
342,556	295,183	293,999	286,236	263,777	242,610
319,268	386,298	247,671	430,096	477,249	129,518
1,135,249	959,586	952,916	812,686	711,351	762,514
177,531	231,574	129,678	62,082	57,598	43,039
48,377	42,662	43,820	40,555	32,152	32,153
<u>8,556,153</u>	<u>9,452,879</u>	<u>7,933,836</u>	<u>6,867,125</u>	<u>6,342,649</u>	<u>5,902,603</u>
5,062	3,514	9,987	9,561	12,285	9,304
339,964	199,792	122,128	122,908	130,487	147,687
114,885	117,499	112,437	129,074	120,879	99,350
1,984	2,062	4,965	2,221	598	155
<u>461,895</u>	<u>322,867</u>	<u>249,517</u>	<u>263,764</u>	<u>264,249</u>	<u>256,496</u>
<u>\$ 9,018,048</u>	<u>\$ 9,775,746</u>	<u>\$ 8,183,353</u>	<u>\$ 7,130,889</u>	<u>\$ 6,606,898</u>	<u>\$ 6,159,099</u>
\$ (3,489,120)	\$ (4,701,036)	\$ (2,257,319)	\$ (2,241,782)	\$ (1,539,325)	\$ (1,639,160)
13,620	61,137	134,957	126,439	110,640	102,973
<u>\$ (3,475,500)</u>	<u>\$ (4,639,899)</u>	<u>\$ (2,122,362)</u>	<u>\$ (2,115,343)</u>	<u>\$ (1,428,685)</u>	<u>\$ (1,536,187)</u>

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

SCHEDULE A-3

	2014	2013	2012	2011
Net (Expense)/Revenue (From Schedule A-2)				
Governmental Activities	\$ (5,280,709)	\$ (4,371,648)	\$ (3,833,206)	\$ (3,721,888)
Business-type Activities	109,008	125,728	85,087	(779)
Total Primary Government Net Expense	<u>\$ (5,171,701)</u>	<u>\$ (4,245,920)</u>	<u>\$ (3,748,119)</u>	<u>\$ (3,722,667)</u>
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Severance Taxes	\$ 2,175,990	\$ 3,855,649	\$ 6,069,648	\$ 4,217,074
Selective Sales/Use	252,538	246,235	251,826	249,705
Income Taxes	414,613	583,429	647,256	720,734
Property Taxes	128,076	99,598	215,407	184,254
Other Taxes	2,631	2,444	2,556	9,712
Interest and Investment Earnings	8,236,307	5,208,270	318,107	8,075,366
Tobacco Settlement	32,261	30,012	29,997	29,574
Payments In from Component Units	22,578	31,336	39,463	42,866
Other Revenues	27,842	68,841	28,887	48,106
Transfers - Internal Activity	(627)	(23,127)	(3,052)	(1,310)
Extraordinary Items				
Pension Obligation and Other Post Employment	-	-	-	-
Prior Period Adjustments and Restatements	(11,230)	-	-	-
Changes in Accounting Principles	-	-	-	-
Total Governmental Activities General Revenues and Other Changes in Net Position	<u>11,280,979</u>	<u>10,102,687</u>	<u>7,600,095</u>	<u>13,576,081</u>
Business-type Activities:				
Interest and Investment Earnings	(13,985)	(16,838)	(13,772)	(16,374)
Other Revenues	4,703	4,460	8,564	-
Payments In from Component Units	-	15,873	-	-
Transfers - Internal Activity	627	23,127	3,052	1,310
Special Items	-	-	-	-
Prior Period Adjustments and Restatements	-	-	-	-
Changes in Accounting Principles	-	-	-	-
Total Business-type Activities General Revenues and Other Changes in Net Position	<u>(8,655)</u>	<u>26,622</u>	<u>(2,156)</u>	<u>(15,064)</u>
Total Primary Government General Revenues and Other Changes in Net Position	<u>\$ 11,272,324</u>	<u>\$ 10,129,309</u>	<u>\$ 7,597,939</u>	<u>\$ 13,561,017</u>
Change in Net Position				
Governmental Activities	\$ 6,000,270	\$ 5,731,039	\$ 3,766,889	\$ 9,854,193
Business-type Activities	100,353	152,350	82,931	(15,843)
Total Primary Government Changes in Net Position	<u>\$ 6,100,623</u>	<u>\$ 5,883,389</u>	<u>\$ 3,849,820</u>	<u>\$ 9,838,350</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

SCHEDULE A-3

	2010	2009	2008	2007	2006	2005
\$	(3,489,120)	\$ (4,701,036)	\$ (2,257,319)	\$ (2,241,782)	\$ (1,539,325)	\$ (1,639,160)
	13,620	61,137	134,957	126,439	110,640	102,973
\$	<u>(3,475,500)</u>	<u>\$ (4,639,899)</u>	<u>\$ (2,122,362)</u>	<u>\$ (2,115,343)</u>	<u>\$ (1,428,685)</u>	<u>\$ (1,536,187)</u>
\$	2,669,281	\$ 3,345,993	\$ 6,929,895	\$ 2,256,299	\$ 1,332,880	\$ 965,431
	251,414	235,121	270,119	233,788	196,605	186,354
	552,792	632,123	981,673	812,652	821,664	588,694
	118,780	111,251	81,518	65,692	54,508	42,912
	8,905	10,225	18,387	9,495	11,865	10,743
	4,529,193	(6,460,729)	(910,362)	5,968,976	3,312,907	2,840,596
	31,502	37,349	32,141	21,247	19,975	21,759
	40,538	26,392	115,635	400,382	104,556	121,312
	37,573	91,857	27,873	32,295	60,857	19,294
	(5,267)	(14,032)	(625)	3,028	4,894	4,968
	-	126,393	-	-	-	-
	-	(2,186)	-	-	(125,041)	695,553
	-	604,222	-	-	-	-
	<u>8,234,711</u>	<u>(1,256,021)</u>	<u>7,546,254</u>	<u>9,803,854</u>	<u>5,795,670</u>	<u>5,497,616</u>
	(13,201)	(11,037)	(281)	14,155	2,935	5,154
	10,538	5,562	-	1,215	1,393	1,356
	-	53	-	-	-	-
	5,267	14,032	625	(3,028)	(4,894)	(4,968)
	-	3,972	-	-	-	-
	-	(3,685)	-	-	243	(288)
	-	(1,518)	-	-	-	-
	<u>2,604</u>	<u>7,379</u>	<u>344</u>	<u>12,342</u>	<u>(323)</u>	<u>1,254</u>
\$	<u>8,237,315</u>	<u>\$ (1,248,642)</u>	<u>\$ 7,546,598</u>	<u>\$ 9,816,196</u>	<u>\$ 5,795,347</u>	<u>\$ 5,498,870</u>
\$	4,745,591	\$ (5,957,057)	\$ 5,288,935	\$ 7,562,072	\$ 4,256,345	\$ 3,858,456
	16,224	68,516	135,301	138,781	110,317	104,227
\$	<u>4,761,815</u>	<u>\$ (5,888,541)</u>	<u>\$ 5,424,236</u>	<u>\$ 7,700,853</u>	<u>\$ 4,366,662</u>	<u>\$ 3,962,683</u>

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

SCHEDULE A-4

	2014	2013	2012	2011
General Fund (Per GASB 54)^a				
Nonspendable	\$ 219,953	\$ 108,524	\$ 165,504	\$ 146,525
Restricted	58,953	77,042	105,472	134,863
Committed	6,577,052	5,997,573	5,339,354	4,448,973
Assigned	-	-	-	-
Unassigned	15,685,658	16,440,266	15,953,852	13,051,711
General Fund (Prior GASB 54)^a				
Reserved ^b	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	<u>\$ 22,541,616</u>	<u>\$ 22,623,405</u>	<u>\$ 21,564,182</u>	<u>\$ 17,782,072</u>
All Other Governmental Funds (Per GASB 54)^a				
Nonspendable	\$ 45,563,618	\$ 41,299,265	\$ 38,713,004	\$ 38,261,469
Restricted	172,275	425,573	289,667	406,063
Committed	129,391	598,440	615,614	817,352
Assigned	6,211,325	4,053,792	2,080,582	2,307,820
Unassigned	(18,377)	-	-	-
All Other Governmental Funds (Prior GASB 54)^a				
Reserved ^c	-	-	-	-
Unreserved, reported in:				
Permanent funds	-	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total All Other Governmental Funds	<u>\$ 52,058,232</u>	<u>\$ 46,377,070</u>	<u>\$ 41,698,867</u>	<u>\$ 41,792,704</u>

NOTES:

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

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 2005 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

	2010	2009	2008	2007	2006	2005
\$	229,199					
	119,379					
	4,782,302					
	-					
	10,405,256					
	-	\$ 1,101,357	\$ 898,734	\$ 5,388,823	\$ 5,447,085	\$ 5,367,346
	-	13,222,879	13,717,732	2,249,074	(123,785)	(1,297,611)
\$	<u>15,536,136</u>	<u>\$ 14,324,236</u>	<u>\$ 14,616,466</u>	<u>\$ 7,637,897</u>	<u>\$ 5,323,300</u>	<u>\$ 4,069,735</u>
\$	32,408,388					
	286,528					
	418,643					
	1,209,837					
	-					
	-	\$ 29,983,196	\$ 31,388,842	\$ 34,155,999	\$ 30,788,066	\$ 29,015,791
	-	426,318	4,984,371	4,144,850	2,594,854	1,449,370
	-	420,993	397,895	381,225	51,662	75,991
	-	207,550	113,515	116,074	140,606	126,963
\$	<u>34,323,396</u>	<u>\$ 31,038,057</u>	<u>\$ 36,884,623</u>	<u>\$ 38,798,148</u>	<u>\$ 33,575,188</u>	<u>\$ 30,668,115</u>

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

SCHEDULE A-5

	2014	2013	2012	2011
Revenues				
Taxes	\$ 2,973,848	\$ 4,787,355	\$ 7,186,196	\$ 5,381,479
Licenses and Permits	154,991	147,790	148,058	147,331
Charges for Services	184,657	194,058	197,276	179,554
Fines and Forfeitures	17,017	30,615	13,732	11,867
Rents and Royalties	2,563,426	2,807,255	2,996,900	2,779,564
Premiums and Contributions	24,741	25,949	23,363	28,790
Interest and Investment Income	8,299,902	5,248,270	344,378	8,139,303
Federal Grants in Aid	2,459,581	2,434,288	2,500,941	2,442,957
Payments in from Component Units	22,578	31,336	39,463	42,866
Other Revenues	61,190	101,707	66,759	53,920
Total Revenues	16,761,931	15,808,623	13,517,066	19,207,631
Expenditures				
General Government	555,498	588,288	491,697	481,434
Alaska Permanent Fund Dividend ^b	570,590	562,621	757,576	817,894
Education	2,118,884	2,081,438	1,899,380	1,835,425
University	594,777	568,805	491,857	449,248
Health and Human Services	2,599,796	2,741,002	2,573,858	2,427,974
Law and Justice	294,064	271,633	278,809	238,083
Public Protection	801,663	736,133	734,059	784,268
Natural Resources	401,217	399,938	384,167	379,151
Development	1,122,243	707,665	595,362	893,417
Transportation	1,520,690	1,277,201	1,146,767	1,103,655
Intergovernmental Revenue Sharing	263,408	288,281	254,525	189,796
Debt Service:				
Principal	84,365	97,959	134,825	47,229
Interest and Other Charges	69,208	64,891	77,816	44,201
Existing Monies to Bond Escrow Agent	-	-	-	-
Bond Issuance Costs	-	-	-	-
Total Expenditures	10,996,403	10,385,855	9,820,698	9,691,775
Excess (Deficiency) of Revenues Over Expenditures	5,765,528	5,422,768	3,696,368	9,515,856
Other Financing Sources (Uses)				
Bonds Issued	-	-	-	200,000
Refunding Bonds Issued ^a	-	312,125	204,390	-
Bond Issue Premium	-	36,338	33,007	1,837
Other Debt Proceeds	-	-	-	-
Refunding Bond Issue Premium ^a	-	-	-	-
Bond Discount	-	-	-	-
Payment to Refunded Bond Escrow Agent ^a	-	-	(237,509)	-
Capital Leases	13,842	5,279	10,277	8,212
Transfers In from Other Funds	1,387,386	716,027	1,324,843	1,277,441
Transfers (Out to) Other Funds	(1,404,040)	(754,907)	(1,343,103)	(1,288,102)
Total Other Financing Sources and Uses	(2,812)	314,862	(8,095)	199,388
Prior Period Adjustments and Restatements	(163,343)	-	-	-
Changes in Accounting Principles	-	-	-	-
Net Change in Fund Balances	\$ 5,599,373	\$ 5,737,630	\$ 3,688,273	\$ 9,715,244
Debt Service as a Percentage of Noncapital Expenditures ^c	1.43%	1.60%	2.18%	0.96%

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.

^c In 2012 evaluation of GASB-44 caused a restatement of the debt service expenditures as a percentage of noncapital expenditures from 2005 through current year. The use of capital outlay stated on the governmentwide statement of activities is used to adjust the total expenditures.

SCHEDULE A-5

	2010	2009	2008	2007	2006	2005
\$	3,602,345	\$ 4,334,450	\$ 8,282,074	\$ 3,462,462	\$ 2,361,263	\$ 1,764,465
	144,160	146,460	150,207	142,204	129,604	122,888
	164,400	176,310	179,213	180,695	159,410	152,992
	14,745	14,306	18,673	32,367	10,441	11,030
	2,259,999	2,237,219	3,354,696	2,162,495	2,418,169	1,957,615
	21,782	28,806	17,520	16,369	17,906	17,153
	4,575,828	(6,480,492)	(913,571)	6,023,532	3,339,127	2,874,284
	2,422,985	2,119,109	1,925,558	2,021,414	1,997,567	1,951,921
	40,538	26,392	115,635	400,382	104,555	121,312
	32,530	61,092	43,908	31,349	74,163	30,957
	<u>13,279,312</u>	<u>2,663,652</u>	<u>13,173,913</u>	<u>14,473,269</u>	<u>10,612,205</u>	<u>9,004,617</u>
	437,178	740,621	596,754	346,530	294,151	261,596
	817,162	2,015,974	990,379	658,294	505,093	552,232
	1,705,340	1,658,971	1,716,876	1,359,413	1,227,523	1,136,016
	402,867	409,890	382,459	320,238	272,193	244,917
	2,251,631	2,064,656	1,881,458	1,819,084	1,794,439	1,748,751
	303,662	202,860	209,031	179,851	171,185	141,890
	715,945	620,975	577,377	553,412	527,332	525,855
	391,318	339,496	301,660	297,410	259,087	236,146
	330,074	387,633	251,051	429,894	477,945	128,257
	1,174,671	1,111,105	1,036,352	988,857	894,571	804,546
	177,804	231,364	128,564	61,925	59,477	43,081
	43,210	48,414	45,870	39,110	39,965	39,570
	45,110	41,914	46,546	42,253	38,429	38,989
	-	-	-	27,009	-	-
	-	524	-	-	-	-
	<u>8,795,972</u>	<u>9,874,397</u>	<u>8,164,377</u>	<u>7,123,280</u>	<u>6,561,390</u>	<u>5,901,846</u>
	4,483,340	(7,210,745)	5,009,536	7,349,989	4,050,815	3,102,771
	-	165,000	-	218,938	92,060	-
	-	-	-	193,050	-	25,725
	-	8,611	-	-	856	-
	-	-	-	(193,050)	1,957	-
	-	-	-	-	-	1,251
	-	-	-	(11,180)	-	-
	-	-	-	-	-	(26,858)
	20,603	271,901	59,651	4,241	8,628	10,751
	924,015	937,064	1,479,573	1,338,871	807,093	604,541
	(930,719)	(961,402)	(1,483,716)	(1,363,302)	(801,164)	(615,931)
	<u>13,899</u>	<u>421,174</u>	<u>55,508</u>	<u>187,568</u>	<u>109,430</u>	<u>(521)</u>
	-	(2,186)	-	-	393	(17,932)
	-	652,961	-	-	-	-
\$	<u>4,497,239</u>	<u>(6,138,796)</u>	<u>5,065,044</u>	<u>7,537,557</u>	<u>4,160,638</u>	<u>3,084,318</u>
	1.02%	0.96%	1.15%	1.57%	1.23%	1.53%

Revenue Capacity - Alaska Permanent Fund Investment Income
Last Ten Fiscal Years
(Stated in Millions)

Fiscal Year	Ending Fund Market Value ^a	Nonspendable Fund Assets	Assigned Fund Assets ^b	Total Fund Return
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%
2012	40,333	38,252	2,081	-0.01%
2013	44,853	40,800	4,054	10.9%
2014	51,214	45,002	6,211	15.5%

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
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%
2012	2.3%	-14.6%	-4.7%	7.8%	6.5%	11.4%	1.4%	-0.01%
2013	22.4%	12.3%	19.7%	0.4%	1.7%	10.8%	6.7%	10.9%
2014	27.0%	20.2%	25.0%	4.8%	5.5%	12.7%	13.5%	15.5%

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)

Fiscal Year	Well-Head Value	Oil Severance Taxes	
		Weighted Average Severance Tax Rate **	Weighted Average Economic Limit Factor (ELF)
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
2012	\$103.56 per barrel	42.70%	Not Applicable
2013	\$97.81 per barrel	38.60%	Not Applicable
2014*	\$96.59 per barrel	27.90%	Not Applicable

*Fiscal Year 2014 information is preliminary and subject to change

**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 RATE: The method of calculating production tax revenue changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT)^a and on July 1, 2007 with the implementation of the Alaska Clear and Equitable share (ACES) and on January 1, 2014 with the implementation of the More Alaska Production Act (MAPA).

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

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

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

^a The total number of barrels of oil equivalent produced

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

^b Minus the number of royalty barrels

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

^c Multiplied by the wellhead value

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

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

³ Tax Rate = 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%.

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%.

MAPA: The production tax rate is 35% of the petroleum value minus costs.

⁴ Credits = PPT: Includes a 20% credit for all qualified capital expenditures, 20% credit for eligible transition expenditures, and a small producer credit of up to \$12 million per year for qualified companies.

ACES: Includes a 20% credit for all qualified capital expenditures, and a small producer credit of up to \$12 million per year for qualified companies.

MAPA: Includes a per-taxable-barrel credit of \$0 to \$8 per barrel, depending on oil prices, and a small producer credit 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 under the ELF was computed as: (Number of barrels produced less the number of royalty barrels) × the wellhead value × the severance tax rate × ELF.

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

	2014	2005
Alaska Statute 43.05.230 prohibits naming individual tax payers.	Five oil companies account for more than 99.7% of severance tax.	Five oil companies account for more than 99.9% of severance tax.
Amount of Revenue Base	Five oil companies account for 184,037 thousands of barrels of oil production.	Five oil companies account for 332,924 thousands of barrels of oil production.
Percent of top payers to total oil production	91.6%	99.0%
Percent of top payers to total production tax revenue	99.7%	99.9%

SOURCE:

Alaska Department of Revenue, Tax Division

NOTES:

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

REVENUE BASE (Last Ten Fiscal Years)

Fiscal Year	Gross Number of Barrels	Number of Barrels for Which Royalties are Charged	Weighted Average Royalty Rate
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%
2012	212,436,387	26,738,403	12.59%
2013	195,668,338	24,612,682	12.58%
2014	196,682,149	24,326,218	12.37%

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)

	2014	2005
Top Payers	Royalties from British Petroleum, ConocoPhillips, and Flint Hill Resources/TERSORO corporations comprise about 84% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, and Flint Hills corporations comprise approximately 91% of oil royalty barrels this fiscal year.
Amount of Revenue Base	Flint Hills Resources/TERSORO, British Petroleum, and ConocoPhillips corporations paid royalties on about 20.4 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips and Flint Hills corporations paid royalties on approximately 40 million barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels:	83.74%	90.58%
Percent of top payers to total royalty revenue:	82.30%	91.10%

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..."

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



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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 ^d	Percentage of Personal Income ^a	Per Capita ^a	Tobacco Revenue Bonds	Sport Fishing Revenue Bonds	Certificates of Participation ^b
2005	\$ 463,117	2.03%	\$ 707	\$ 212,794	\$ -	\$ 61,625
2006	433,916	1.85%	654	207,995	68,345	74,770
2007	404,866	1.56%	604	387,252	64,273	65,275
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
2012	609,961	1.85%	845	365,871	48,274	11,375
2013	893,966	2.47%	1,221	360,774	42,272	4,910
2014	691,720	1.88%	939	353,680	37,441	3,345

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.

^d General Obligation bonds do not have any external restrictions for the repayment of debt. Total and net bonded debt are the same.

SCHEDULE C-1

Capital Leases ^{b, c}	Business-type Activities		Percentage of Personal Income ^a	Per Capita ^a
	International Airports Revenue Bonds	Total Primary Government		
\$ 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
380,131	579,579	1,995,191	6.05%	2,763
341,765	565,029	2,208,716	6.11%	3,016
329,417	513,685	1,929,288	5.23%	2,620

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						
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
2012	106,061	79,770	26,291	13,150	28,047	0.64
2013	104,550	79,765	24,785	13,740	27,468	0.60
2014	118,826	84,691	34,135	14,350	26,862	0.83

Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: ^b

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
2012	24,072	-	24,072	-	17,837	1.35
2013	24,094	-	24,094	645	17,546	1.32
2014	25,856	-	25,856	3,660	17,238	1.24

Sport Fishing Revenue Bonds: ^c

2006	\$ 1,296	\$ -	\$ 1,296	\$ -	\$ -	0.00
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
2012	6,025	-	6,025	3,015	2,075	1.18
2013	5,755	-	5,755	5,600	2,145	0.74
2014	6,334	-	6,334	4,540	1,902	0.98

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. The coverage reflected is surcharge revenue only as required in the additional bonds test. Additional coverage is provided from the base license fee, king salmon stamp fee, and certain federal receipts which are also pledged to repayment of the bonds.

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
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%
2011	722,190	33,003	45,665	41,560	33.9	7.6%
2012	732,298	36,159	49,436	43,735	34.1	7.0%
2013	736,399	36,867	50,150	44,765	34.3	6.5%

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.

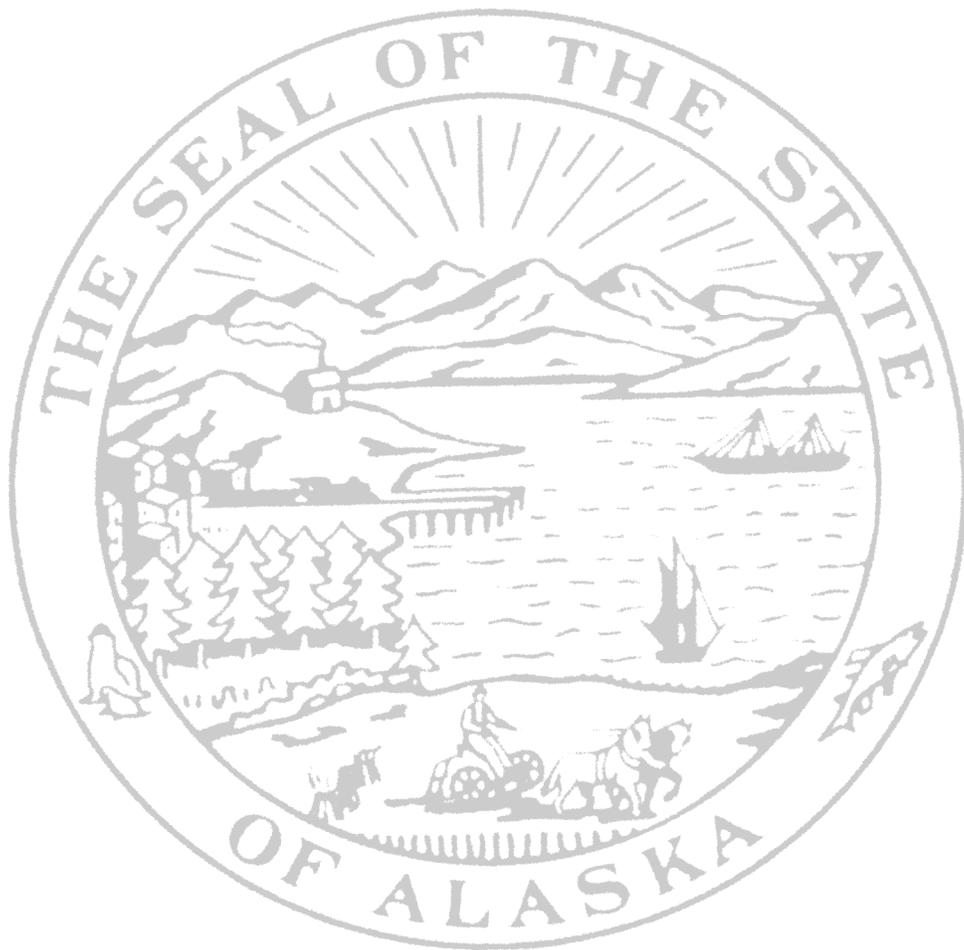
**Demographic and Economic Information - Employment by Industry
 Calendar Year 2013 and Period Nine Years Prior**

Industry	2013			2003		
	Employment	Rank	Percentage of Total State Employment	Employment	Rank	Percentage of Total State Employment
Retail Trade	35,900	1	10.01%	35,000	1	10.99%
Health Care	33,600	2	9.36%	25,300	2	7.95%
Military	23,000	3	6.41%	22,000	3	6.91%
Local Government Education	22,800	4	6.35%	20,200	4	6.34%
State Government (Non Education)	18,500	5	5.16%	19,600	5	6.16%
Local Government (Non Education)	18,100	6	5.04%	17,000	8	5.34%
Construction	16,600	7	4.63%	17,700	6	5.56%
Federal Government (Non Military)	15,500	8	4.32%	17,200	7	5.40%
Oil and Gas	14,100	9	3.93%	8,200	10	2.58%
Seafood Processing	10,600	10	2.95%	8,600	9	2.70%
State Education	7,800	11	2.17%	7,100	11	2.23%
Total	<u>216,500</u>		<u>60.33%</u>	<u>197,900</u>		<u>62.16%</u>
Total Employment ^a	<u>358,800</u>			<u>318,400</u>		

SOURCE:

Alaska Department of Labor and Workforce Development, Research and Analysis Section

NOTES:^a Standard wage and salary employment totals supplemented by active-duty military totals.



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

FUNCTION	2014	2013	2012	2011
General Government	2,250	2,213	2,272	2,248
Education	403	402	421	434
Health and Human Services	3,035	2,988	2,930	2,921
Law and Justice	1,670	1,659	1,710	1,685
Public Protection	3,794	3,617	3,481	3,511
Natural Resources	2,137	2,140	2,230	2,195
Development	709	784	812	826
Transportation	2,961	3,045	3,169	3,131
Totals	16,959	16,848	17,025	16,951

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.

2010	2009	2008	2007	2006	2005
2,158	2,225	2,137	2,139	2,101	2,071
432	419	414	423	409	395
2,873	2,694	2,816	2,599	2,511	2,432
1,671	1,642	1,587	1,550	1,498	1,451
3,582	3,540	3,297	3,634	3,588	3,552
2,131	2,031	1,994	1,978	1,932	1,897
822	775	745	748	794	773
3,052	3,060	2,987	2,979	2,940	2,826
<u>16,721</u>	<u>16,386</u>	<u>15,977</u>	<u>16,050</u>	<u>15,773</u>	<u>15,397</u>

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

SCHEDULE E-2

FUNCTION	2014	2013	2012	2011
Alaska Permanent Fund Dividend				
Number of Dividends Paid ^a		633,017	640,700	644,156
Education				
Student Enrollment in State Supported Schools (pre-elementary through grade 12)	131,577	132,185	131,682	132,104
University				
Student Enrollment in the State University System (average head count over both semesters)	32,363	33,654	35,082	34,528
Health and Human Services				
Medicaid Beneficiaries	156,595	138,790	136,913	132,991
Temporary Assistance Caseload ⁿ	3,547	3,661	3,803	3,619
Protective Services Reports Regarding Children ^d	15,859	15,721	16,288	16,067
Law and Justice				
Criminal Caseload - Misdemeanors	21,327	21,710	21,672	23,138
Criminal Caseload - Felonies and Appeals	8,500	8,752	8,233	8,592
Civil Caseload ^g	6,065	6,133	6,485	6,116
Public Protection				
Adult Offenders in Correctional Facilities ^l	6,304	6,120	6,023	5,864
Juvenile Offenders in Detention or Treatment Facilities	158	157	199	185
National Guard Assigned Strength in Alaska ^g	3,968	3,860	3,949	4,043
Number of Homicides Investigated by State Troopers ^g	18	22	14	18
Natural Resources				
Wholesale Value of Alaska Commercial Fish Harvests (stated in thousands of dollars) ^a	3,158,152	3,158,152	2,841,699	2,903,915
Recreation Acres State Owned or Maintained	12,617,798	12,622,881	12,622,881	11,892,818
State Timber Sold Annually (million board feet)	28.5	9	22.5	24.1
State Acreage Leased for Oil and Gas Development ^e	4,954,036	4,203,663	4,185,961	3,193,020
Placer Mines Permitted	430	603	562	486
Development				
Number of State Business Licenses	68,503	51,310	66,737	63,618
Transportation				
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK ^a		1.03	1.23	1.57
State Ferry Route Miles	3,290	3,290	3,290	3,274
Intergovernmental Revenue Sharing				
Number of Communities that Receive a Portion of Shared Taxes and Fees	144	144	144	147
Loans				
Number of Loans in Portfolio	1,643	1,668	1,846	2,158
Unemployment Compensation				
Initial Claims Paid ^{a,1}		83554	79,743	72,696
Airports ^c				
Landings:				
Jets	61,637	62,998	66,787	71,499
Other Aircraft	51,850	46,812	46,432	45,632
Passengers:				
In	3,043,991	2,947,939	2,961,887	2,926,922
Out	3,030,809	2,494,044	2,955,646	2,939,191
Through	105,266	106,914	150,449	221,529
Freight (in tons):				
In	387,142	426,802	496,126	414,014
Out	326,308	374,096	441,201	374,048

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 from DNR's informational website.

^f Data was corrected for 2007, 2010 and 2012.

^g Data was corrected for 2003-2012.

^h Name change: previously Welfare Caseload.

^l Data was corrected for 2012 and 2013.

SCHEDULE E-2

2010	2009	2008	2007	2006	2005
641,112	623,707	615,513	595,237	591,965	594,028
131,662	130,685	131,029	132,608	133,288	132,970
33,821	31,888	32,324	32,515	32,740	32,786
134,535	123,791	117,472	121,864	122,975	125,942
3,198	3,027	3,109	6,335	3,658	4,660
14,629	13,441	11,599	11,400	10,192	9,576
23,818	22,351	23,973	23,609	23,060	22,569
8,571	7,796	8,466	8,469	11,462	10,166
6,493	6,290	5,644	5,750	6,718	5,731
5,602	5,319	5,384	5,236	5,073	4,809
211	202	228	237	250	234
3,845	3,785	4,242	3,872	3,785	3,704
9	15	14	12	10	23
2,497,060	1,970,607	2,607,666	2,326,176	2,055,625	1,957,948
11,931,889	11,834,483	11,535,850	11,663,339	11,444,009	11,183,929
12.5	15.5	61.0	82.9	25.0	27.5
3,859,116	4,933,466	5,435,904	4,980,450	4,267,925	3,972,538
107	194	260	178	345	316
65,096	59,751	62,187	65,331	66,615	67,229
1.17	1.30	1.29	1.61	1.49	1.47
2,829	2,829	2,829	2,829	2,829	2,829
148	146	142	146	145	140
2,280	2,064	2,168	2,277	2,263	2,183
94,592	122,830	93,072	89,442	93,609	100,692
69,927	65,945	84,366	80,652	81,040	77,074
42,959	45,399	68,253	46,940	46,022	47,564
2,804,494	2,926,772	3,043,533	2,889,786	2,868,053	2,852,820
2,823,969	2,893,374	3,002,133	2,873,803	2,860,859	2,849,651
240,331	227,164	360,572	364,850	284,947	394,324
361,019	288,650	366,907	369,743	338,401	297,752
326,277	326,797	417,979	393,279	382,645	352,339

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

SCHEDULE E-3

FUNCTION	2014	2013	2012	2011
Primary Government:				
General Government				
Buildings (square feet)	941,144	932,305	921,990	891,302
Education				
Buildings (square feet)	1,922,210	2,010,102	2,180,240	2,037,695
Schools	94	97	114	106
Schools Under Construction	29	28	25	23
Health and Human Services				
Buildings (square feet)	1,269,375	1,258,620	1,188,573	1,157,282
Pioneer Homes	6	6	6	6
Law and Justice				
Buildings (square feet)	698,420	698,636	693,392	667,637
Court Buildings	13	13	13	13
Public Protection				
Buildings (square feet)	1,586,955	1,523,692	1,411,646	1,391,021
Correctional Institutions	13	13	11	11
Aircraft	19	17	18	18
Motor Vessels	24	23	22	22
National Guard Armories ^a	21	21	21	21
Natural Resources				
Buildings (square feet)	894,020	901,530	904,724	869,809
Parks Acreage	3,357,393	3,357,393	3,357,393	3,300,000
Forest Acreage	2,144,680	2,144,680	2,144,680	2,121,499
Other State Land Acreage	94,964,340	94,966,591	94,909,670	92,134,583
Aircraft	5	3	3	3
Motor Vessels	11	11	11	9
Development				
Buildings (square feet)	296,453	330,084	329,430	327,102
Transportation				
Buildings (square feet)	1,238,694	1,282,466	1,285,261	1,240,569
Light Duty Vehicles	3,686	3,097	3,225	3,461
Heavy Duty Utility Vehicles	2,236	2,162	2,102	2,064
Ferries	11	11	11	11
Building Projects Under Construction	173	167	152	166
Rural Airports	254	253	253	252
Rural Airport Projects Under Construction	372	357	401	373
Centerline Road Miles ^b	-	5,589	5,609	5,608
Highway Projects Under Construction	897	910	831	827
Business-type Activities:				
Airports (Anchorage and Fairbanks International)				
Terminals (square feet)	1,320,737	1,320,737	1,271,568	1,271,568
International Airport (acreage)	8,288	8,168	8,244	8,244
International Airport Projects Under Construction	83	94	98	122
Runways (miles)	10	10	10	8

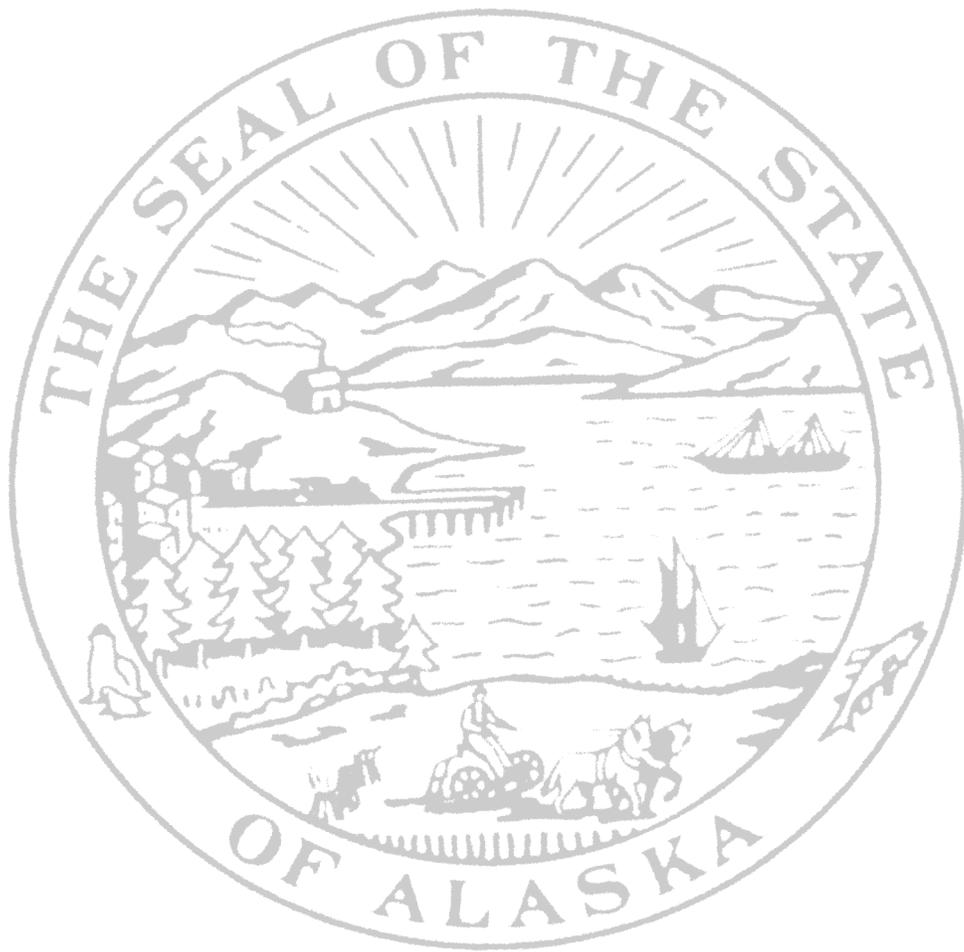
NOTES:

^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

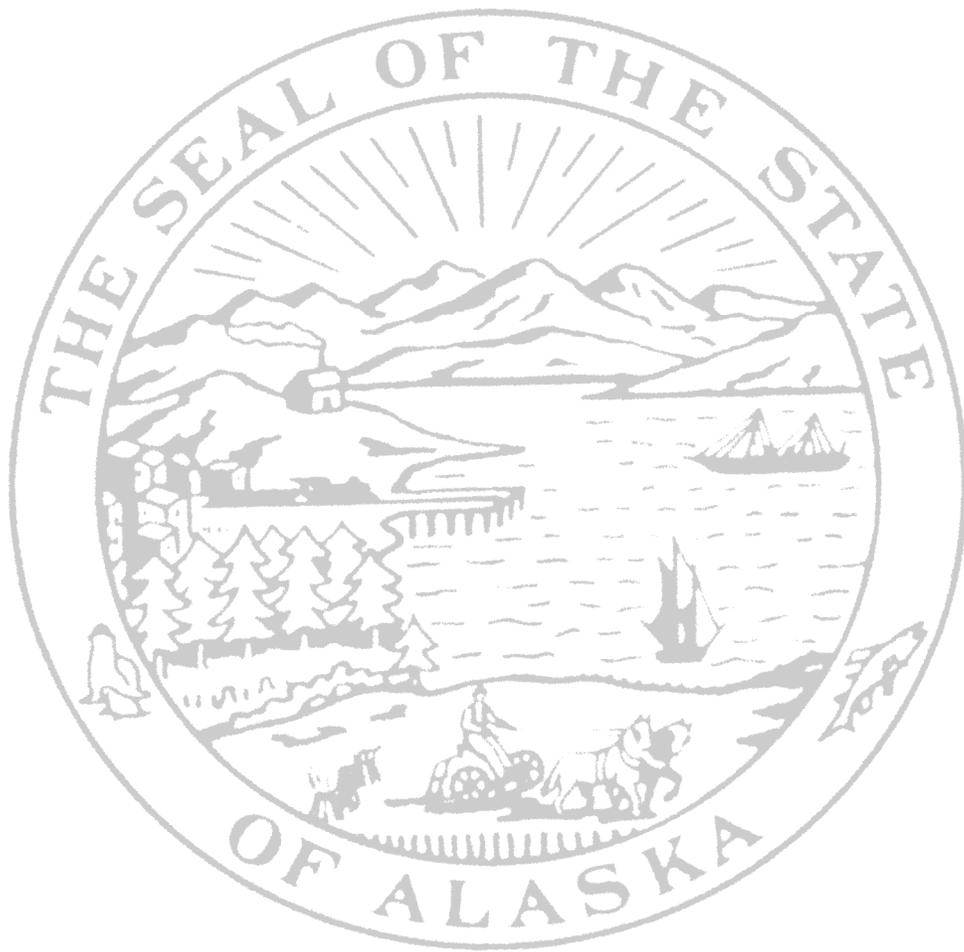
2010	2009	2008	2007	2006	2005
828,694	880,198	803,175	764,192	738,676	731,101
2,200,336	2,340,905	2,331,178	2,354,648	2,728,657	2,832,934
111	119	119	105	117	129
36	39	39	35	17	10
1,103,295	1,065,828	1,058,616	928,505	882,511	858,468
6	6	6	6	6	6
641,456	649,529	596,631	553,687	526,659	512,094
13	13	13	13	13	12
1,375,250	1,400,619	1,239,332	1,298,482	1,261,043	1,253,724
11	11	11	11	11	11
16	16	16	16	16	16
22	22	21	21	19	18
21	21	21	21	21	20
818,066	803,675	749,618	706,814	678,899	669,406
3,381,858	3,356,810	3,356,810	3,353,805	3,326,019	3,325,939
2,122,899	2,097,608	2,097,608	2,232,400	2,066,000	2,066,000
91,858,588	90,309,649	88,505,417	86,166,329	84,430,236	82,967,314
3	3	3	3	3	3
9	9	9	9	9	9
315,477	306,678	279,924	267,229	279,168	272,816
1,172,039	1,210,953	1,122,960	1,064,449	1,033,511	997,525
3,822	3,756	3,671	3,609	3,366	3,323
1,847	1,781	1,760	1,668	1,861	1,824
11	11	11	11	11	11
154	119	119	105	112	94
253	256	256	256	256	258
394	409	383	339	358	415
5,619	5,601	5,595	5,606	5,603	5,613
807	801	808	782	767	766
1,271,568	1,295,864	1,280,864	1,280,864	1,280,864	1,178,602
8,244	8,244	8,153	8,153	8,153	8,153
107	117	105	121	117	162
8	8	8	8	6	6



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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
2012 Transportation Project (GO Bonds)	Ch 18, SLA 2012	Yes	CPF	3.51, 3.52
Abandoned Motor Vehicles	AS 28.11.110	No	GF	3.01, 3.02
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 26.27.010	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 Clean Water	AS 46.03.032	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	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 31.25.010	Yes	DPCU	6.01, 6.02
Alaska Gasline Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Higher Education Investment	AS 37.14.750	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 Microloan Revolving Loan	AS 44.33.950	Yes	CAEF	4.11 - 4.13
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 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
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13

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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 Revolving Loan	AS 42.45.250	Yes	EAEF	4.21 - 4.23
Civil Legal Services	AS 37.05.590	No	GF	3.01, 3.02
Clean Air Protection	AS 46.14.260	Yes	SRF	3.31 - 3.33
	Federal Clean Air Act			
Commercial Charter Fisheries Revolving Loan	AS 16.10.801	Yes	CAEF	4.11 - 4.13
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	No	GF	3.01, 3.02
	AS 43.52.230(a)			
Community Quota Entity Revolving Loan	AS 16.10.345	Yes	CAEF	4.11 - 4.13
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	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 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	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 SLAs	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	OAEF	1.21 - 1.23
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
Mariculture Revolving Loan	AS 16.10.900	Yes	CAEF	4.11 - 4.13
Memorial Education Revolving Loan	AS 14.43.255	No	GF	3.01, 3.02
Mine Reclamation Trust	AS 37.14.800	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
Regional Educational Attendance Area School	AS 14.11.030	No	GF	3.01, 3.02
Residential Energy Conservation	AS 45.88.100	Yes	EAEF	4.21 - 4.23
Retiree Health	AS 39.35.535, AS 14.25.168, AS 22.25.090	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
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
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

Legend of Acronyms





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LEGEND OF ACRONYMS

Acronym	Description
AAC	Alaska Aerospace Corporation
AAL	Actuarial Accrued Liabilities
AEA	Alaska Energy Authority
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AIGA	Alaska Insurance Guarantee Association
ALAE	Allocated Loss Adjustment Expense
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
APFC	Alaska Permanent Fund Corporation
ARHCT	Alaska Retiree Health Care Trust
ARMB	Alaska Retirement Management Board
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Industry
ASPIB	Alaska State Pension Investment Board
CAFR	Comprehensive Annual Financial Report
CBRF	Constitutional Budget Reserve Fund
COPs	Certificates of Participation
DB	Defined Benefit
DCP	Deferred Compensation Plan
DCR	Defined Contribution Retirement Plan
EPORS	Elected Public Officers Retirement System
FDIC	Federal Deposit Insurance Corporation
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FIFO	First In First Out
FNMA	Federal National Mortgage Association
FX	Foreign Currency
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles

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LEGEND OF ACRONYMS

Acronym	Description
GASB	Governmental Accounting Standards Board
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-segregated Investments
HRA	Health Reimbursement Arrangement
IAF	International Airport Fund
JRS	Judicial Retirement System
KABTA	Knik Arm Bridge and Toll Authority
MEBA	Marine Engineers' Beneficial Association
MSA	Master Settlement Agreement
NGNMRS	National Guard and Alaska Naval Militia Retirement System
NMRT	Northwest Marine Retirement Trust
NRSRO	Nationally Recognized Statistical Rating Organization
NTSC	Northern Tobacco Securitization Corporation
OAH	Office of Administrative Hearings
OD&D	Occupation Death & Disability
OPEB	Other Post-Employment Benefits
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System - Defined Benefit
PERS-DCR	Public Employees' Retirement System - Defined Contribution Retirement Plan
RHF	Retiree Health Fund
RMP	Retiree Major Medical Insurance
RSAs	Reimbursable Services Agreements
SBJPA	Small Business Job Protection Act
SBPA	Standby Bond Purchase Agreement
SBS	Supplemental Benefits System
SF	Sport Fish
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
TIPS	Treasury Inflation Protected Securities
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System - Defined Benefit
TRS-DCR	Teachers' Retirement System - Defined Contribution Retirement
TSR	Tobacco Settlement Revenues
UAAL	Unfunded Actuarial Accrued Liabilities