

State of Alaska

Comprehensive Annual Financial Report

For the Fiscal Year
July 1, 2002 – June 30, 2003



Prepared by:
Department of Administration
Division of Finance

The FY 03 CAFR is expected to be available on or after January 2004 on our Internet web site at
http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp.

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Photo Credit

“Brown Bear near Visitor Center” at Denali National Park. © Rex Melton, Alaska Division of Tourism.



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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2003

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Introductory Section





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December 15, 2003

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

In accordance with Alaska Statute (AS) 37.05.210, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of Alaska for the fiscal year ending June 30, 2003. This report has been prepared by the Department of Administration, Division of Finance. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the state. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the state. Statistical and demographic information are included to enable the reader to gain an understanding of the state's financial activities.

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

AUDITS

The Division of Legislative Audit is the principal auditor of the state's reporting entity. The audit of the CAFR was conducted in accordance with generally accepted auditing standards (GAAS), and the independent auditor's report is the first item in the financial section of the CAFR and precedes the MD&A and basic financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the state for the fiscal year ended June 30, 2003, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

In addition to internal controls, the state maintains budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the budget appropriated annually by the legislature. Annual operating budgets are required to be adopted through passage of appropriation bills (session laws) by the legislature with approval by the governor. These laws also identify the source of funding for the budgeted amounts. Control is maintained at the departmental level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders that result in an overrun of available balances are not released until budget revisions are approved or additional

appropriations are made. Open encumbrances are reported as reservations of fund balance at June 30, 2003.

CASH AND INVESTMENT MANAGEMENT

As discussed more fully in Note 4 to the basic financial statements, the state's cash is controlled by the Treasury Division in the Department of Revenue or by other administrative bodies as determined by law. All cash deposited in the state treasury is managed to achieve a particular target rate of return as determined by the investment objectives set for a given fund. Cash in excess of the amount needed to meet current expenditures is invested pursuant to AS 37.10.070 and AS 37.10.071 which requires that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury has established an array of investment pools with varying investment horizons and risk profiles. Equity and fixed income 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 savings of time and dollars, and allow smaller funds to participate in investment opportunities that would otherwise be unavailable to them. Rather than each participant (fund) buying identical individual securities, larger quantities of securities can be purchased at one time, reducing the operating costs for manager's time and number of transactions. A fund's equity ownership in a pool is based on the number of shares held by the fund.

CASH FLOW

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

In more recent years, the reality of declining oil revenues and the corresponding decrease in available cash has become more apparent. This has been reflected in more modest state operating and capital budgets. Also associated with declining revenues, though much less understood, is a cash flow situation that could lead to a cash deficiency for the state. The possibility of a cash flow deficiency grows with each passing year.

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

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

In the past ten budget cycles, the legislature has addressed the possibility of a revenue shortfall. It has included language in the appropriation act permitting the executive branch to borrow cash from the statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance FY 93 and FY 96 revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, and FY 03 to balance revenues and expenditures. As of June 30, 2003, \$5.1 billion has been appropriated from the CBRF.

PUBLIC EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS PENSION FUNDS

Net assets at June 30, 2003, of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$7.4 billion and \$3.6 billion respectively. The funding status for PERS and TRS as of the June 30, 2002, actuarial valuations, indicated the actuarial accrued liabilities were 75.2 percent funded for PERS, and 68.2 percent funded for TRS. Further information on these and other pension funds, including the Supplemental Benefits System and Deferred Compensation plans, can be found in notes 7, 8, and 9 to the financial statements.

RISK MANAGEMENT

As more fully detailed in Note 12.C., the state's risk management program provides a primary layer of self-insured retention supplemented by excess insurance coverage. The state's risk management program covers all state agencies and component units, except for the Alaska Housing Finance Corporation, Alaska Railroad Corporation, and the University of Alaska who administer their own programs. Further, there is separate coverage provided by the individual component units such as the Alaska Industrial Development and Export Authority for certain individual projects.

GENERAL FUND OPERATIONS

The well-being of the State of Alaska is best reflected in the operations of the general fund. The general fund is the state's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund. The state maintains many accounts and subfunds (created by law) that are accounted for and reported within the general fund. Two of the most notable are the Constitutional Budget Reserve Fund and the Permanent Fund Dividend Fund. Prior to FY 02, these two funds had previously been separately reported. However, as a result of implementing Governmental Accounting Standards Board Statement No. 34, these two are now included as a part of the general fund. Because of materiality and public interest in these two funds, individual fund data for each is provided in the combining statements for the general fund included in this report.

The state's major source of unrestricted revenue is petroleum related. In FY 03, petroleum revenue was 39.6 percent of all general fund revenues (see the following table). The largest source of nonpetroleum revenues, as shown in the following table, is federal, which makes up 41.7 percent of revenues. Not all revenues that flow into the general fund are available to pay for unrestricted government activities. The most notable are federal revenues, which are provided for specific purposes.

(Stated in millions)	FY 03	Percent	FY 02	Percent
<u>Petroleum Revenue</u>				
Property Tax	\$ 48.7	1.2	\$ 49.7	1.3
Corporate Petroleum Income Tax	168.3	4.0	232.7	6.3
Severance Tax	602.7	14.4	496.3	13.4
Mineral Bonuses and Rents	9.6	0.2	14.6	0.4
Oil and Gas Royalties	832.0	19.8	581.0	15.7
Total Petroleum Revenue	1,661.3	39.6	1,374.3	37.1
<u>Nonpetroleum Revenue</u>				
Taxes	212.4	5.1	210.9	5.7
Licenses and Permits	75.7	1.8	63.5	1.7
Charges for Services	167.2	4.0	157.1	4.2
Fines and Forfeitures	10.2	0.2	11.7	0.3
Rents and Royalties	6.7	0.2	7.8	0.2
Interest and Investment Income	202.7	4.8	205.0	5.5
Other Revenue	108.4	2.6	144.1	3.8
Total Nonpetroleum Revenue	783.3	18.7	800.1	21.4
Federal Revenue	1,749.0	41.7	1,536.0	41.5
Total Revenues	\$ 4,193.6	100.0	\$ 3,710.4	100.0

The total expenditures charged against general fund appropriations during FY 03 amounted to \$5,582.4 million, an increase of \$398.0 million from FY 02. In addition, transfers to other funds of \$4.8 million brings the total FY 03 disbursements from the general fund to \$5,587.2 million. FY 02 total disbursements were \$5,405.7 million, which included transfers to other funds of \$4.9 million, and payments to component units of \$216.5 million. In FY 03, payments to component units were categorized in the department from which the disbursements originated, most notably the University of Alaska.

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

<u>Department</u>	FY 03	Percent	FY 02	Percent
Office of the Governor	\$ 30,068	0.5	\$ 26,412	0.5
Administration	213,336	3.8	198,052	3.8
Law	39,506	0.7	30,194	0.6
Revenue	966,211	17.3	1,143,589	22.2
Education & Early Development	973,966	17.4	952,275	18.4
Health & Social Services	1,449,230	26.0	1,302,826	25.2
Labor & Workforce Development	98,412	1.8	90,238	1.7
Community & Economic Development	144,904	2.6	130,498	2.5
Military & Veterans Affairs	34,915	0.6	32,937	0.6
Natural Resources	103,937	1.9	89,117	1.7
Fish & Game	66,365	1.2	67,710	1.3
Public Safety	105,083	1.9	95,065	1.8
Environmental Conservation	118,296	2.1	98,170	1.9
Corrections	164,979	3.0	160,797	3.1
Transportation & Public Facilities	750,601	13.4	663,010	12.8
Legislature	34,616	0.6	37,087	0.7
Debt Service	12,906	0.3	12,636	0.2
Alaska Court System	56,223	1.0	53,735	1.0
University	218,834	3.9		
Total Expenditures	\$ 5,582,388	100.0	\$ 5,184,348	100.0

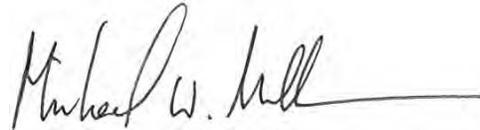
ECONOMIC CONDITION AND OUTLOOK

As mentioned earlier, the state's major source of revenue is petroleum related. However, the price of oil has had its ups and downs over the years. The Alaska North Slope West Coast oil price averaged \$28.15 per barrel during FY 03, which is \$0.01 over the Department of Revenue spring 2003 projection of \$28.14 per barrel and \$6.36 more than the average price of \$21.78 for FY 02. The fall 2003 projection for FY 04 is \$27.70 per barrel.

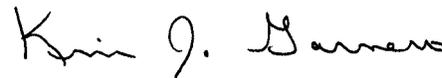
ACKNOWLEDGMENTS

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

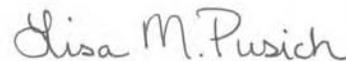
Sincerely,



Michael W. Miller
Commissioner
Department of Administration



Kim J. Garner, CPA
Director
Division of Finance



Lisa M. Pusich, CPA
State Accountant
Division of Finance

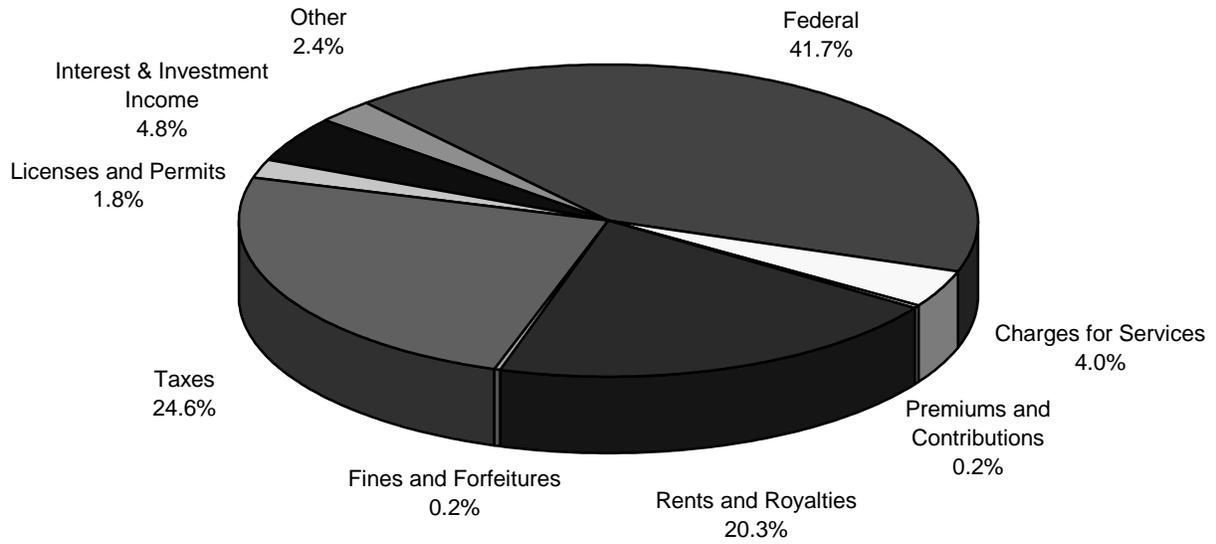


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STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

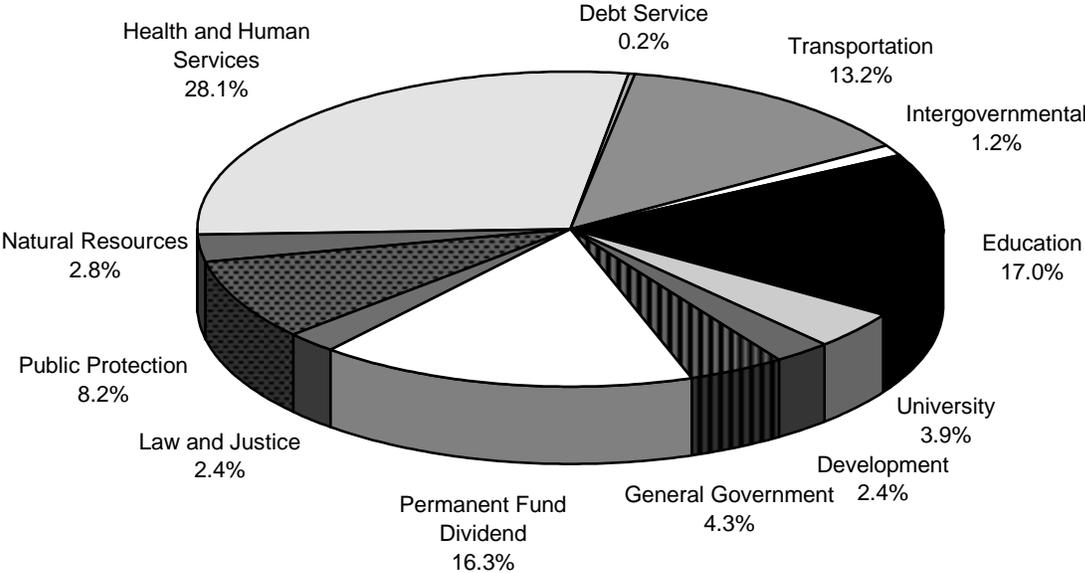
\$4,194
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

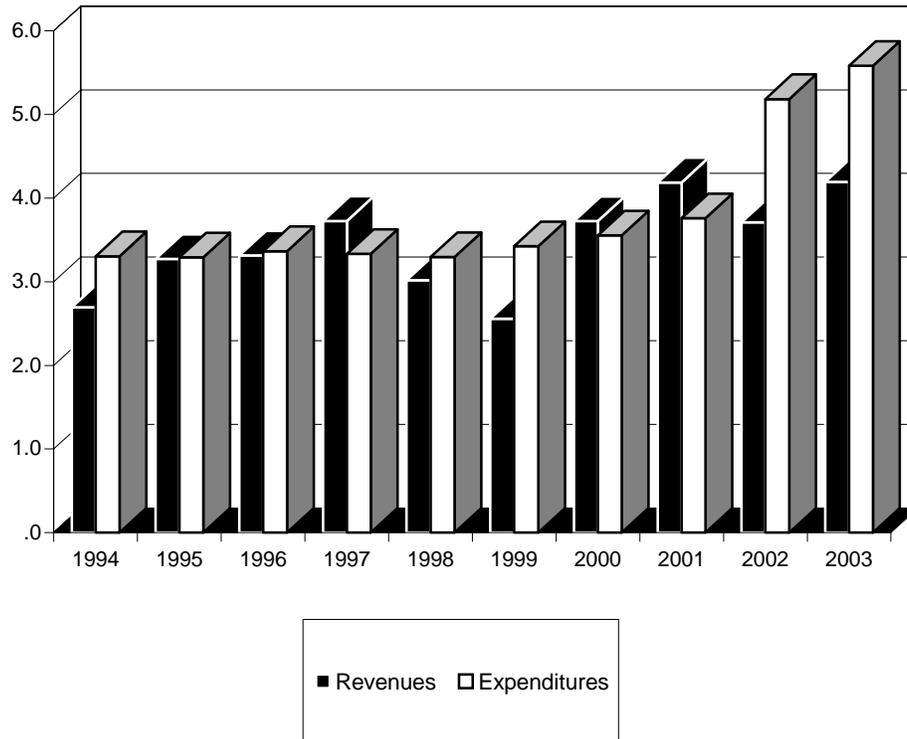
\$5,582
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

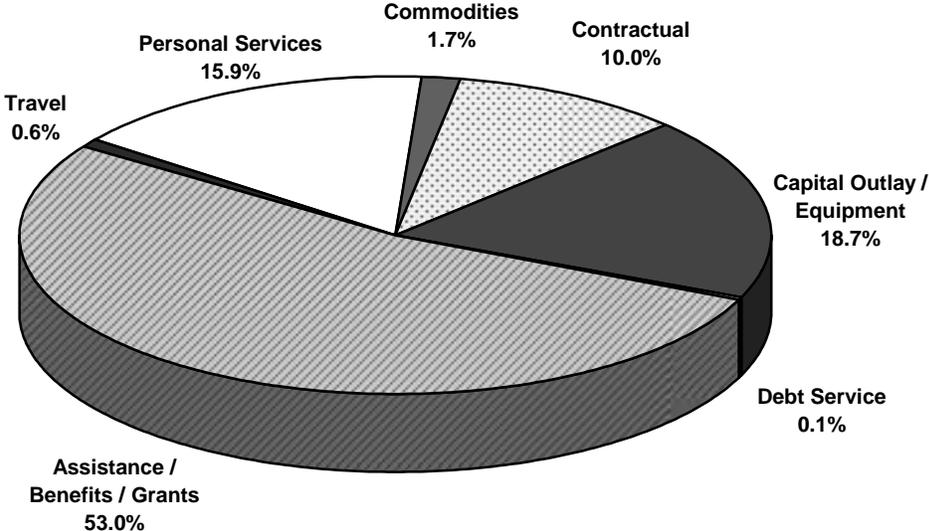
TEN YEAR COMPARISON
FOR THE FISCAL YEARS 1994 THROUGH 2003

(Stated in Billions)



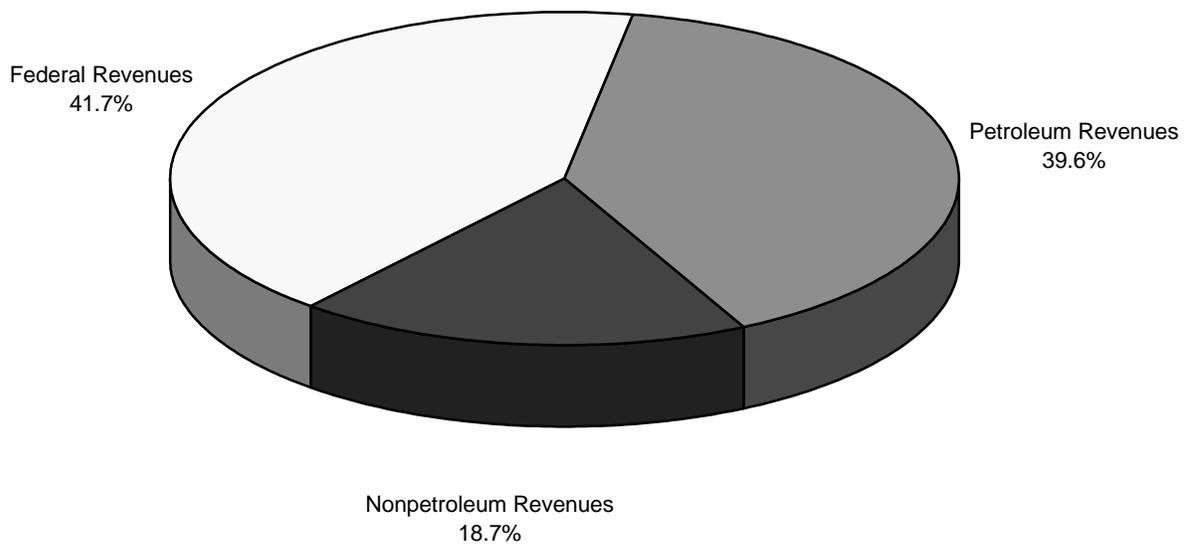
STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

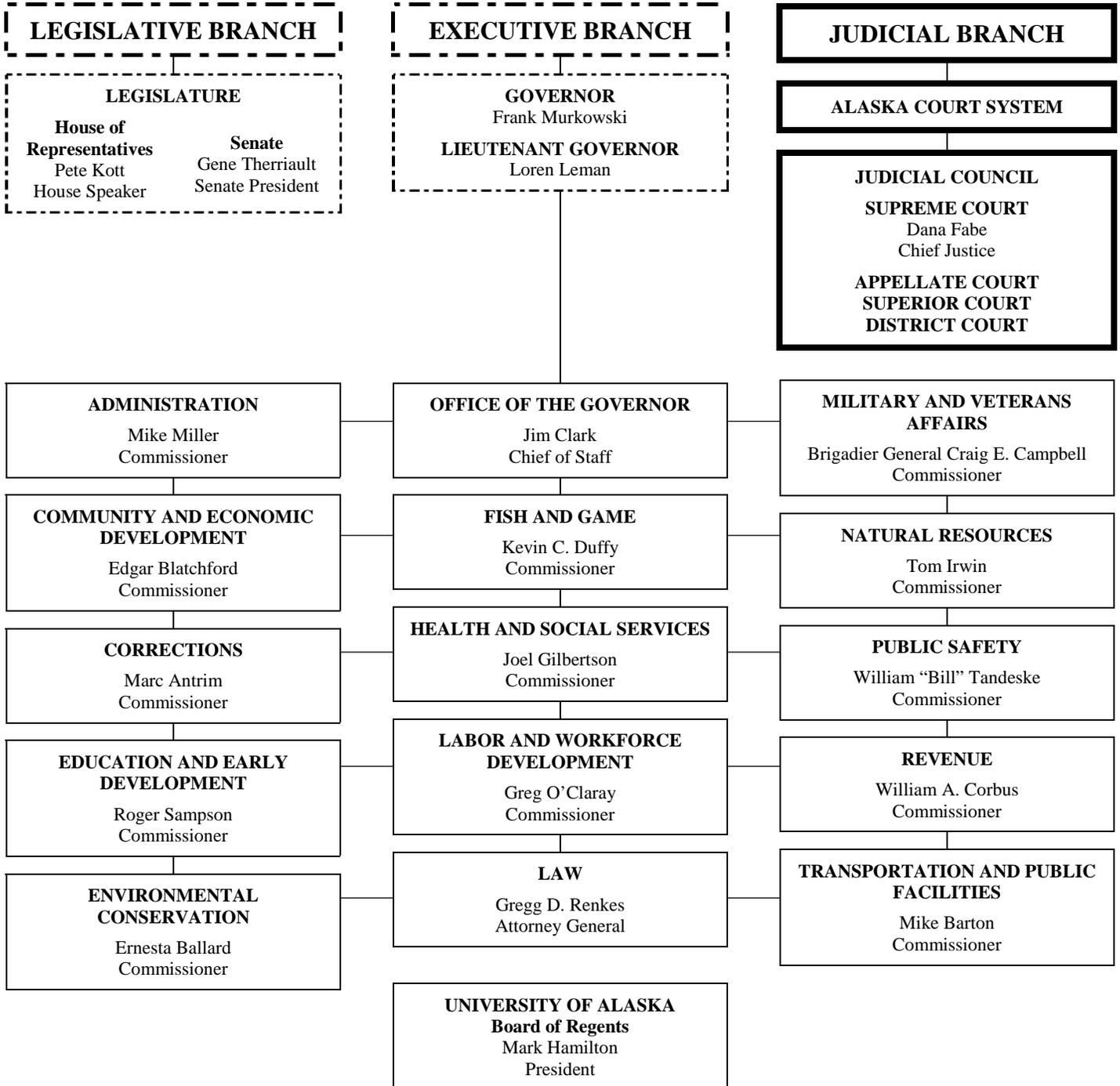


STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2003



STATE OF ALASKA ORGANIZATION CHART



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

FUNCTIONS OF STATE DEPARTMENTS

OFFICE OF THE GOVERNOR

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

ADMINISTRATION

Services to state agencies: Personnel, Labor Relations, Retirement and Benefits, Finance (payroll, accounts, and disbursements), General Services (purchasing, supply, mail, management of Public Building Fund facilities, space allotment); Risk Management, Information Technology Group (telecommunications and computer services). Services to the Public: Senior Services (Alaska Commission on Aging); Longevity Bonus (Pioneers' Homes); Motor Vehicles; Office of Public Advocacy; Public Defender Agency; Alaska Public Offices Commission; Oil and Gas Conservation Commission; Alaska Rural Communications System; Alaska Public Broadcasting Commission; and the Office of Tax Appeals.

COMMUNITY AND ECONOMIC DEVELOPMENT

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

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

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

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

CORRECTIONS

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

EDUCATION AND EARLY DEVELOPMENT

The Department of Education and Early Development is responsible for the development of lifelong learners. 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, early child care, teacher certification, and

student assessment. State operated schools and programs include: Alyeska Central School - the state's correspondence program, Mt. Edgecumbe High School - the state's secondary boarding school program, and the Alaska Vocational Technical Center - the state's adult vocational training center. The department also administers the state libraries, archives, records and museum services, provides grants to the arts community, and provides loans to post-secondary students through the Alaska Student Loan Corporation.

ENVIRONMENTAL CONSERVATION

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

FISH AND GAME

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

HEALTH AND SOCIAL SERVICES

Responsible for administration of the majority of health and social service programs in the state, impacting virtually every Alaskan. Health programs include medical assistance for Alaska's poor through the Medicaid program, and public health programs such as nursing services, vital statistics, community health and emergency medical services, infectious disease control, the State Medical Examiner's office (coroner services), laboratories, and maternal, child, and family health services. Social services programs include temporary cash assistance, Adult Public Assistance, food stamps, child protection, foster care, adoptions, child residential care, juvenile justice, mental health and developmental disabilities services, and substance abuse prevention and treatment services. The department also administers the certificate of need (CON) program for hospitals and nursing homes.

LABOR AND WORKFORCE DEVELOPMENT

The Department of Labor and Workforce Development is responsible for advancing opportunities for employment and insuring that employers provide safe and legal working conditions. The department is also responsible for employment services, unemployment insurance, adult basic education, job training, workers' compensation, the Fisherman's Fund, and vocational rehabilitation for people with disabilities. In addition, the department enforces laws and regulations dealing with occupational safety and health, mechanical inspections, and wage and hour

administration; serves as the labor relations agency for public employment in the state; and collects, analyzes, and releases labor market and population statistics.

LAW

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

MILITARY AND VETERANS AFFAIRS

The Department of Military and Veterans Affairs (DMVA) is responsible for the Alaska Army and Air National Guard, the Alaska Naval Militia, State Defense Force, Alaska Military Youth Academy, Office of Homeland Security and Emergency Services, and the Office of Veterans Affairs.

The Commissioner of DMVA is also the Adjutant General of the state and as such commands the Alaska National Guard. He administers federal funds for maintaining the Alaska National Guard in combat readiness in the event of a national emergency or war. The Alaska National Guard has over 4,000 personnel located in more than 74 communities. The Alaska National Guard is under the day-to-day command of the Governor and as such may be used in support of counter-narcotics operations, disaster assistance and to counter civil unrest. The Alaska Naval Militia is composed of individual U.S. Navy reservists and Marine reservists that are available to the Governor in times of emergency. Likewise, the State Defense Force, made up of individuals, some with prior military training, is available to the Governor.

The Alaska Military Youth Academy provides a five-month military style alternative high school experience for volunteer applicants who are at risk of not achieving a productive lifestyle. During the two sessions per year, the program provides a structured education and a variety of disciplines; life coping skills, educational excellence, skills training, responsible citizenship, leadership/ability to follow, health hygiene, sex education, physical fitness, and community service. The structured educational effort is targeted to meet the goals of the program, to turn the youth into confident and contributing citizens of their state and their local communities.

The mission of the Office of Homeland Security and Emergency Services is to reduce Alaska's vulnerability to terrorism and natural disasters, while implementing a statewide, integrated emergency management system to protect lives and property from all hazards. It maintains the State Emergency Coordination Center in Anchorage that is the command, control, and communications center for state and federal response to disasters and significant emergencies.

The Office of Veterans Affairs serves as a focal point for issues affecting Alaska's veteran population. The State Veterans Coordinator administers a contract with Veterans Service Organizations who provide outreach to individual veterans and assist them in maximizing their federal veteran's entitlements.

NATURAL RESOURCES

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

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

PUBLIC SAFETY

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

REVENUE

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

TRANSPORTATION AND PUBLIC FACILITIES

The department is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes approximately 260 state-owned airports and seaplane bases, 6,000 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 71 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 31 Alaskan communities with connections to Bellingham and Prince Rupert. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of 7,700 light and heavy-duty vehicles and attachments for state departments, agencies and offices.

ALASKA STATE LEGISLATURE

Twenty-Third Legislature, First Session (2003)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	Robin Taylor (R)	Wrangell	1	William "Bill" Williams (R)	Saxman
			2	Peggy Wilson (R)	Wrangell
B	Kim Elton (D)	Juneau	3	Beth Kerttula (D)	Juneau
			4	Bruce Weyhrauch (R)	Juneau
C	Georgianna "Georg" Lincoln (D)	Rampart	5	Albert Kookesh (D)	Angoon
			6	Carl Morgan, Jr. (R)	Aniak
D	Ralph Seekins (R)	Fairbanks	7	Hugh "Bud" Fate (R)	Fairbanks
			8	David Guttenberg (D)	Fairbanks
E	Gary Wilken (R)	Fairbanks	9	James "Jim" Holm (R)	Fairbanks
			10	Jim Whitaker (R)	Fairbanks
F	Gene Therriault (R)	North Pole	11	John Coghill, Jr. (R)	North Pole
			12	John Harris (R)	Valdez
G	Lyda Green (R)	Wasilla	13	Carl Gatto (R)	Palmer
			14	Vic Kohring (R)	Wasilla
H	Scott Ogan (R)	Palmer	15	Beverly Masek (R)	Willow
			16	Bill Stoltze (R)	Chugiak
I	Fred Dyson (R)	Eagle River	17	Pete Kott (R)	Eagle River
			18	Nancy Dahlstrom (R)	Anchorage
J	Gretchen Guess (D)	Anchorage	19	Tom Anderson (R)	Anchorage
			20	Max Gruenberg, Jr. (D)	Anchorage
K	Bettye Davis (D)	Anchorage	21	Harry Crawford, Jr. (D)	Anchorage
			22	Sharon Cissna (D)	Anchorage
L	Johnny Ellis (D)	Anchorage	23	Les Gara (D)	Anchorage
			24	Cheryll Heinze (R)	Anchorage
M	Hollis French, II (D)	Anchorage	25	Eric Croft (D)	Anchorage
			26	Ethan Berkowitz (D)	Anchorage
N	Ben Stevens (R)	Anchorage	27	Norman Rokeberg (R)	Anchorage
			28	Lesil McGuire (R)	Anchorage
O	John Cowdery (R)	Anchorage	29	Ralph Samuels (R)	Anchorage
			30	Kevin Meyer (R)	Anchorage
P	Con Bunde (R)	Anchorage	31	Bob Lynn (R)	Anchorage
			32	Mike Hawker (R)	Anchorage
Q	Thomas "Tom" Wagoner (R)	Kenai	33	Kelly Wolf (R)	Kenai
			34	Charles "Mike" Chenault (R)	Nikiski
R	Gary Stevens (R)	Kodiak	35	Paul Seaton (R)	Homer
			36	Dan Ogg (R)	Kodiak
S	Lyman Hoffman (D)	Bethel	37	Carl Moses (D)	Unalaska
			38	Mary Sattler Kapsner (D)	Bethel
T	Donald Olson (D)	Nome	39	Richard Foster (D)	Nome
			40	Reggie Joule (D)	Kotzebue

LEADERSHIP

STATE SENATE
Gene Therriault, Senate President

HOUSE OF REPRESENTATIVES
Pete Kott, House Speaker

FINANCE COMMITTEES

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

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

Members:
Donald Olson, Lyman Hoffman,
Ben Stevens, and Robin Taylor

Members:
Ethan Berkowitz, Mike Chenault, Richard Foster,
Mike Hawker, Beth Kerttula, Carl Moses,
Bill Stoltze, and Jim Whitaker

Financial Section





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Independent Auditor's Report

Citizens of the State of Alaska:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds and the Component Units, except for the Alaska Science and Technology Foundation and the Alaska Mental Health Trust Authority. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions to the fund financial statements as follows:

<u>Government-wide Financial Statements</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government – Governmental Activities	74%	24%
Component Units	95%	98%
 <u>Fund Financial Statements</u>		
Governmental Funds – Alaska Permanent Fund	100%	100%
Fiduciary Funds – Pension and Other Employee Trust Funds	100%	100%
Component Units	95%	98%

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

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

overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Pat Davidson, CPA
Legislative Auditor

November 28, 2003

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, 2003. 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 preceding this narrative on pages i-vi of this report, and the financial statements that follow.

Financial Highlights

Government-wide

- The assets of the state exceeded its liabilities at the close of FY 03 by \$32.8 billion (net assets). Of this amount, \$4.1 billion is invested in capital assets, \$24.9 billion is restricted for various purposes (of which the Alaska Permanent Fund represents \$24.1 billion), and unrestricted net assets are \$3.8 billion. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$646 million. This increase is primarily attributable to the investment income of the Alaska Permanent Fund.

Fund level

- As of the close of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$28.6 billion, with \$1.2 billion unreserved fund balance deficit and a fund balance reserved for specific purposes of \$29.9 billion. The Alaska Permanent Fund principal is \$24.1 billion of the reserved fund balance, the Constitutional Budget Reserve Fund (CBRF, a subfund of the general fund) is \$5.1 billion, with the balance reserved for education and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit of \$1.9 billion.

Long-term debt

- The state's total long-term debt increased by \$589 million (50 percent) during the current fiscal year. The key factor in this increase is the issuance of general obligation bonds.

Overview of the Financial Statements

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

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

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

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

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

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

- **Governmental Activities** – Most of the state's basic services are reported in this category. Governmental activities are principally supported by taxes and intergovernmental revenues. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.

- Business-type Activities – The state charges fees to customers to help it cover all or most of the cost of certain services it provides. The state's International Airports Fund, the various loan funds, and the Unemployment Compensation fund are examples of business-type activities.
- Discretely Presented Component Units – Component units are legally separate organizations for which the state is financially accountable. The state has one university and nine corporations and authorities that are reported as discretely presented component units of the state.

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

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

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

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

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

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

As mentioned earlier, the state has only two major governmental funds, the Alaska Permanent Fund and the general fund. Together these two funds represent 95.3 percent of total government-wide cash and investments and 84.6 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

The state's main operating fund is the general fund. However, the state maintains many accounts and subfunds (created by law) within the general fund. In addition, as a result of implementing GASBS 34 in FY 02, several funds previously classified as other fund types are now included as a part of the general fund. Two of the most notable funds are the Constitutional Budget Reserve Fund and the Permanent Fund Dividend Fund. Because of materiality and public interest in these two funds, individual fund data for each of these subfunds is provided in the combining statement for the general fund elsewhere in this report.

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska with 16.7 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the Financial Statements

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

Additional Required Supplementary Information

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

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by \$32.8 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the state's net assets (74 percent) reflects its investments held in the Alaska Permanent Fund. However, the majority of these assets are not available for future spending since the principal of the fund (\$24.1 billion) may not be spent.

The remainder of the state's net assets (26 percent) represents amounts invested in capital assets net of related debt (\$4.1 billion), resources that are subject to external restrictions of how they may be used (\$0.8 billion) and unrestricted net assets for funds other than the Alaska Permanent Fund (\$3.8 billion).

Net Assets
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002
Current and other noncurrent assets	\$ 29,616	\$ 28,944	\$ 936	\$ 1,014	\$ 30,552	\$ 29,958
Capital Assets	4,116	3,727	576	473	4,692	4,200
Total assets	33,732	32,671	1,512	1,487	35,244	34,158
Long-term liabilities	1,398	843	366	366	1,764	1,209
Other liabilities	686	798	18	21	704	819
Total liabilities	2,084	1,641	384	387	2,468	2,028
Net assets:						
Invested in capital assets, net of related debt	3,724	3,353	415	371	4,139	3,724
Restricted	24,473	22,207	412	417	24,885	22,624
Unrestricted	3,451	5,470	301	312	3,752	5,782
Total net assets	\$ 31,648	\$ 31,030	\$ 1,128	\$ 1,100	\$ 32,776	\$ 32,130

The net assets of governmental activities increased \$594 million and business-type activities increased \$38 million, before prior period adjustments. The increase for governmental activities is primarily due to the increase in Alaska Permanent Fund net assets. The increase in business-type activities is primarily due to the increase in net assets of the International Airports, Alaska Clean Water, and Alaska Drinking Water funds (enterprise funds) resulting from capital contributions.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the state's net assets changed during FY 03.

Changes in Net Assets
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002
Revenues						
Program Revenues						
Charges for services	\$ 1,529	\$ 1,092	\$ 247	\$ 212	\$ 1,776	\$ 1,304
Operating grants	1,303	1,112	18	33	1,321	1,145
Capital grants	612	503	53	36	665	539
General revenues						
Taxes	1,063	1,020	-	-	1,063	1,020
Interest & investment earnings	1,066	1,191	7	7	1,073	1,198
Other	171	(1,404)	1	1	172	(1,403)
Total revenues	5,744	3,514	326	289	6,070	3,803
Expenses						
General government	279	414	-	-	279	414
Alaska Permanent Fund Dividend	909	1,086	-	-	909	1,086
Education & University	1,179	1,148	-	-	1,179	1,148
Health & human services	1,554	1,406	-	-	1,554	1,406
Law & justice	130	119	-	-	130	119
Public protection	458	413	-	-	458	413
Natural resources	206	194	-	-	206	194
Development	143	127	-	-	143	127
Transportation	418	407	-	-	418	407
Intergovernmental	65	65	-	-	65	65
Debt service	20	17	-	-	20	17
Loans	-	-	9	17	9	17
Unemployment compensation	-	-	192	150	192	150
Airports	-	-	78	69	78	69
Total expenses	5,361	5,396	279	236	5,640	5,632
Excess (deficiency)						
Payments from component units	81	63	-	1	81	64
Transfers	3	1	(3)	(1)	-	-
Special Items:						
ASTF Liquidation	97	-	-	-	97	-
Interest Earned on Grants Administered by AIDEA	30	-	-	-	30	-
Airport's Arbitrage Rebate	-	-	(5)	-	(5)	-
Increase(decrease) in net assets	594	(1,818)	39	53	633	(1,765)
Net assets - beginning *	31,034	32,848	1,100	1,047	32,134	33,895
Prior period adjustment	20	-	(11)	-	9	-
Net Assets - ending	\$ 31,648	\$ 31,030	\$ 1,128	\$ 1,100	\$ 32,776	\$ 32,130

* FY 2002 beginning net assets were restated to include any prior period adjustments, and FY 2003 beginning net assets were restated due to fund reclassification (see note 3 for further information).

Financial Analysis of the State's Funds

As noted earlier, the state uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of \$28.6 billion, an increase of \$682 million in comparison with the prior year. The unreserved fund balance, which is normally available for spending at the government's discretion was a deficit balance of \$1.2 billion, consisting of a deficit of \$1.9 billion in the general fund, \$100 million in the Alaska Permanent Fund (earnings reserve account), \$439 million in capital project funds, and \$93 million for other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) for the Alaska Permanent Fund (\$24.1 billion), 2) for the Constitutional Budget Reserve Fund (\$5.1 billion), 3) to liquidate contracts and purchase orders of the prior period (\$249 million), or 4) for a variety of other restricted purposes (\$360 million).

The general fund is the chief operating fund of the state. At the end of the current fiscal year, unreserved fund balance of the general fund was a deficit of \$1.9 billion, while total fund balance reached \$3.6 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance, which is a deficit, represents 33 percent of total general fund expenditures, while total fund balance represents 64 percent of that same amount.

The fund balance of the state's general fund decreased by \$567 million during the current fiscal year. The key factor in this decrease is expenditures of \$5.6 billion exceeded general fund revenues and other fund sources, resulting in appropriated borrowing of \$498 million from the Constitutional Budget Reserve Fund.

General fund revenues for FY 03 were \$4.2 billion, an increase of \$483 million compared to revenues of \$3.7 billion for FY 02. Revenues by source for FY 03 are compared to FY 02 in the following schedule (in millions):

<u>Revenue Source</u>	<u>FY 03</u>	<u>Percent</u>	<u>FY 02</u>	<u>Percent</u>
Taxes	\$ 1,032.1	24.7	\$ 989.6	26.7
Rents and Royalties	848.3	20.2	603.4	16.3
Interest & Investment Income	202.7	4.8	205.0	5.5
Federal	1,749.0	41.7	1,536.0	41.5
Miscellaneous	361.5	8.6	376.4	10.0
Total Revenue	<u>\$ 4,193.6</u>	<u>100.0</u>	<u>\$ 3,710.4</u>	<u>100.0</u>

The primary components of this revenue increase are petroleum-related taxes and royalties (\$287 million) and federal revenues (\$213 million).

Alaska Permanent Fund

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

In 1976 the Alaska Constitution was amended to provide that:

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

The fund is made up of two parts.

- **Reserved Net Assets:** The fund reserved net assets, or principal, consists of the contributions and appropriations, which are the main body of the trust. At June 30, 2003, this amounted to \$23.0 billion. The sources of contributions and appropriations of the fund were as follows: \$7.7 billion in dedicated mineral revenues; \$7.9 billion of fund realized earnings added to principal for inflation proofing; and \$7.4 billion in additional deposits approved by special legislative appropriation.

Unrealized appreciation on invested assets, pursuant to a recent Attorney General opinion, is also part of the reserved assets of the fund. The balance of the unrealized appreciation at the end of the fiscal year amounted to \$1.1 billion.

- **Unreserved Net Assets:** The fund unreserved net assets, which are available for legislative appropriation, consist of the realized earnings of the fund. From inception through June 30, 2003, realized earnings have amounted to \$25.2 billion. Of this amount \$12.5 billion has been paid out for dividends, \$7.9 billion has been added to principal for inflation proofing, \$4.4 billion has been added to principal by special appropriation, \$.3 billion has been paid out to the general fund, and \$100 million remains in the fund in the realized earnings account.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$453 million increase in appropriations (or 5 percent) and can be briefly summarized as follows:

- \$54 million allocated to health and human services function
- \$115 million allocated to public protection function
- \$154 million allocated to transportation
- The balance of \$130 million allocated across several expenditure functions.

Of this increase in appropriated expenditures, \$258 million was to be funded out of an increase in charges for services, another \$236 million from interagency receipts, with the balance coming from other financing sources. During the year, however, revenues were less than budgetary estimates and although expenditures were less than budgetary estimates, the state still needed to draw a total of \$498 million from the CBRF in accordance with chapter 1, SSSLA 2002, section 94(b).

Capital Assets and Debt Administration

Capital assets. The state's investment (net of related debt) in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$4.1 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 03 totaled \$68 million for governmental activities and \$21 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002
Land	\$ 659	\$ 649	\$ 29	28	\$ 688	\$ 677
Buildings	703	657	191	189	894	846
Equipment	280	273	14	13	294	286
Infrastructure	332	232	192	154	524	386
Construction in progress	2,142	1,916	150	89	2,292	2,005
Total capital assets	\$ 4,116	\$ 3,727	\$ 576	\$ 473	\$ 4,692	\$ 4,200

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

Long-term debt. At the end of the current fiscal year, the state had total bonded debt outstanding of \$1,081 million. Of this amount, \$500 million was general obligation bonds, and \$225 million comprises revenue bonds issued by the Northern Tobacco Securitization Corporation (NTSC). The general obligation bonds are secured by the full faith, credit, and resources

of the state, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The remaining \$357 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation and NTSC bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2003	FY 2002	FY 2003	FY 2002	FY 2003	FY 2002
Revenue bonds payable	\$ 225	\$ 233	\$ 357	\$ 362	\$ 582	\$ 595
General obligation debt	500	-	-	-	500	-
Notes payable	5	19	-	-	5	19
Capital leases payable	272	261	-	-	272	261
Deferred revenues & advances	179	87	4	4	183	91
Certificates of participation	16	16	-	-	16	16
Compensated absences	114	108	-	-	114	108
Claims and judgements	84	82	-	-	84	82
Other noncurrent liabilities	3	3	5	-	8	3
Total	\$ 1,398	\$ 809	\$ 366	\$ 366	\$ 1,764	\$ 1,175

The state's total debt increased by \$589 million (50 percent) during the current fiscal year. The increase was primarily due to issuing general obligation bonds.

The general obligation bonds have been rated "AAA" by Fitch, "Aaa" by Moody's, and AAA by Standard & Poor's.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the State of Alaska at fiscal year end was 7.4 percent, which is identical to the rate a year ago. The United States unemployment rate at fiscal year end was 6.4 percent. The state's average unemployment rate for FY 03 was 7.7 percent, which compares favorably to the average unemployment rate for FY 02 of 7.0 percent and to the five year average (1998 to 2002) of 6.5 percent. Alaska's unemployment rate for October 2003 was 6.8 percent, as compared to a rate of 7.5 percent one-year ago, and a national unemployment rate of 5.6 percent.
- The state's major source of unrestricted revenue for the general fund is petroleum related, which makes up 39.6 percent of total revenue, with federal revenue making up another 41.7 percent, and the balance coming from other sources. As a result, the state's budget is structured around these two revenue sources. However, oil production revenues have not kept pace with appropriated spending. This has resulted in appropriated borrowing from the Constitutional Budget Reserve Fund. Although federal revenues have increased, these funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the state budget.
- FY 03 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 1.020 million barrels per day, which is a 1.3 percent decrease from FY 02 production of 1.033. FY 03 production, compared to peak production of 2.049 million barrels per day in FY 88, has dropped by 50.2 percent.

The primary factors considered in preparing the state's budget for the 2004 fiscal year is the decline in oil production. With state unrestricted revenue anticipated to be less than needed for the budget, funds were appropriated from the budget reserve fund (a subfund of the general fund) to balance the FY 04 budget.

The State of Alaska FY 03 budgeted expenditures do include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend that is paid to each qualifying Alaskan (\$1,541/resident, total \$909 million in FY 03), state-operated Pioneer Homes, and the Longevity Bonus program.

Requests for Information

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



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Basic Financial Statements





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STATE OF ALASKA
Statement of Net Assets
Government-wide
June 30, 2003
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and Investments	\$ 28,477,637	\$ 444,691	\$ 28,922,328	\$ 1,595,277
Accounts Receivable - Net	418,971	19,223	438,194	74,747
Interest and Dividends Receivable	119,193	30,023	149,216	39,185
Internal Balances	40,447	(40,447)	0	
Due from Primary Government			0	8,515
Due from Component Units	105,050		105,050	5,186
Due from Other Governments	385,620	2,602	388,222	7,692
Loans, Notes, and Bonds Receivable	15,863	249,288	265,151	3,896,189
Inventories	15,783		15,783	16,660
Repossessed Property		2,281	2,281	
Net Investment in Direct Financing Leases			0	314,582
Investments in Projects, Partnerships, or Corporations		8,062	8,062	86,963
Restricted Assets	13,164	218,600	231,764	2,236,895
Other Assets	24,723	1,522	26,245	78,564
Capital Assets:				
Equipment, Net of Depreciation	280,405	13,699	294,104	184,228
Buildings, Net of Depreciation	702,240	190,539	892,779	537,677
Infrastructure, Net of Depreciation	332,345	192,353	524,698	390,946
Land	658,744	29,087	687,831	58,458
Construction in Progress	2,141,836	150,178	2,292,014	297,659
Total Assets	33,732,021	1,511,701	35,243,722	9,829,423
LIABILITIES				
Accounts Payable and Accrued Liabilities	672,819	7,771	680,590	68,265
Due to Primary Government			0	112,710
Due to Component Units	6,774		6,774	1,805
Due to Other Governments	332	5,711	6,043	13
Interest Payable	5,981	4,551	10,532	43,299
Other Current Liabilities	5	258	263	185,432
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgements, and				
Compensated Absences	143,356		143,356	390
Unearned and Deferred Revenue	169,652	3,887	173,539	22,534
Notes, Bonds, and Leases Payable	42,090	6,580	48,670	155,890
Other Long-term Debt			0	1,281
Other Noncurrent Liabilities	2,980	5,319	8,299	27,287
Portion Due or Payable After One Year:				
Claims, Judgements, and				
Compensated Absences	54,576		54,576	
Unearned and Deferred Revenue	9,653		9,653	245,922
Notes, Bonds, and Leases Payable	975,256	349,930	1,325,186	4,263,106
Other Long-term Debt			0	23,526
Other Noncurrent Liabilities	343	154	497	34,501
Total Liabilities	2,083,817	384,161	2,467,978	5,185,961
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	3,724,321	415,389	4,139,710	1,030,640
Restricted for:				
Permanent Funds				
Nonexpendable	24,360,657		24,360,657	
Expendable	14,182		14,182	
Education	9,227		9,227	447,815
Conservation, Environment, and Natural Resources	29,178		29,178	
Unemployment Compensation		200,157	200,157	
Debt Service	31,560	8,093	39,653	825,097
Other Purposes	28,337	203,196	231,533	942,709
Unrestricted	3,450,742	300,705	3,751,447	1,397,201
Total Net Assets	\$ 31,648,204	\$ 1,127,540	\$ 32,775,744	\$ 4,643,462

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, 2003
(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	\$ 278,972	\$ 16,142	\$ 23,618	\$ 4,150
Alaska Permanent Fund Dividend	908,676			
Education	951,790	937	149,459	1,329
University	226,729		435	
Health and Human Services	1,553,612	23,277	888,186	44,339
Law and Justice	130,408	6,201	17,961	
Public Protection	458,200	103,586	67,306	9,286
Natural Resources	206,161	1,299,097	59,933	34,180
Development	142,934	34,895	75,279	9,072
Transportation	418,463	44,882	1,048	507,936
Intergovernmental Revenue Sharing	65,364		20,057	
Debt Service	19,903			1,122
Total Governmental Activities	5,361,212	1,529,017	1,303,282	611,414
Business-type Activities:				
Loans	8,799	13,598	4,287	10,724
Unemployment Compensation	191,598	156,459	13,736	
Airports	77,892	76,753	154	42,135
Total Business-type Activities	278,289	246,810	18,177	52,859
Total Primary Government	\$ 5,639,501	\$ 1,775,827	\$ 1,321,459	\$ 664,273
Component Units:				
University of Alaska	\$ 532,192	\$ 102,272	\$ 172,854	\$ 18,235
Alaska Housing Finance Corporation	376,685	227,205	41,868	11,834
Alaska Industrial Development and Export Authority	56,822	47,112		112
Nonmajor Component Units	235,591	174,732	40,843	14,761
Total Component Units	\$ 1,201,290	\$ 551,321	\$ 255,565	\$ 44,942

General Revenues:

Taxes:

Severance Taxes
Selective Sales/Use
Income Taxes
Property Taxes
Other Taxes

Interest and Investment Earnings

Tobacco Settlement
Net Increase (Decrease) in the Fair Value of Investments
Payments In from Component Units
Payments In from Primary Government
Other Revenues

Transfers - Internal Activity

Special Items:

Alaska Science and Technology Endowment Liquidation
Interest Earned on Grants Administered by AIDEA
Airport's Arbitrage Rebate

Total General Revenues,
Transfers, and Special Items

Change in Net Assets

Net Assets - Beginning of Year
Prior Period Adjustment
Accounting Changes
Net Assets - End of Year

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

STATEMENT 1.02

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (235,062)	\$	\$ (235,062)	\$
(908,676)		(908,676)	
(800,065)		(800,065)	
(226,294)		(226,294)	
(597,810)		(597,810)	
(106,246)		(106,246)	
(278,022)		(278,022)	
1,187,049		1,187,049	
(23,688)		(23,688)	
135,403		135,403	
(45,307)		(45,307)	
(18,781)		(18,781)	
<u>(1,917,499)</u>		<u>(1,917,499)</u>	
	19,810	19,810	
	(21,403)	(21,403)	
	41,150	41,150	
	<u>39,557</u>	<u>39,557</u>	
<u>(1,917,499)</u>	<u>39,557</u>	<u>(1,877,942)</u>	
			(238,831)
			(95,778)
			(9,598)
			<u>(5,255)</u>
			<u>(349,462)</u>
640,856		640,856	
156,693		156,693	
207,075		207,075	
48,741		48,741	
9,421		9,421	
1,066,238	6,567	1,072,805	117,459
25,054		25,054	
138,953		138,953	29,267
80,728		80,728	42,877
		0	229,680
7,618	419	8,037	644
2,830	(2,830)	0	
97,706		97,706	(97,706)
29,707		29,707	
	<u>(5,453)</u>	<u>(5,453)</u>	
2,511,620	(1,297)	2,510,323	322,221
594,121	38,260	632,381	(27,241)
31,034,480	1,099,934	32,134,414	4,668,945
19,603	(10,654)	8,949	137
			1,621
<u>\$ 31,648,204</u>	<u>\$ 1,127,540</u>	<u>\$ 32,775,744</u>	<u>\$ 4,643,462</u>



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Governmental Funds Financial Statements

MAJOR FUNDS

General Fund

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

Alaska Permanent Fund

Alaska Constitution, article IX, section 15 - Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state shall be placed in the Permanent Fund. Subsequent legislation increased the Permanent Fund's share to fifty percent for rents and royalties on mineral leases issued after December 1, 1979, and for bonuses on mineral leases issued after February 15, 1980.

NONMAJOR FUNDS

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

Public School Trust Fund (34010)

Administered by the Departments of Revenue and Natural Resources. The principal consists of the July 1, 1978 balance from the public school permanent fund and one-half of one percent of the receipts derived from the management of state lands. The income from the trust is used exclusively for the support of the state public school program.



STATE OF ALASKA
 Balance Sheet
 Governmental Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 1.11

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 2,826,157	\$ 24,724,104	\$ 909,558	\$ 28,459,819
Accounts Receivable - Net	180,738	214,903	6,735	402,376
Interest and Dividends Receivable	2,054	116,699	549	119,302
Due from Other Funds	736,648	49,985	2,171	788,804
Due from Component Units	103,937			103,937
Due from Other Governments	382,050			382,050
Loans, Notes, and Bonds Receivable	15,804		59	15,863
Inventories	11,916			11,916
Other Assets	17,874		40	17,914
Total Assets	\$ 4,277,178	\$ 25,105,691	\$ 919,112	\$ 30,301,981
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 431,988	\$ 220,275	\$ 11,027	\$ 663,290
Due to Other Funds	56,528	690,659	3,235	750,422
Due to Component Units	4,103	423	2,248	6,774
Due to Other Governments	332			332
Unearned and Deferred Revenue	231,166		388	231,554
Other Liabilities	2,984		344	3,328
Total Liabilities	727,101	911,357	17,242	1,655,700
Fund Balances:				
Reserved:				
Encumbrances	212,546		36,737	249,283
Nonliquid Assets	5,161,740			5,161,740
Bonds			67,078	67,078
Other Purposes	26,672	24,094,334	266,323	24,387,329
Unreserved:				
General Fund	(1,850,881)			(1,850,881)
Special Revenue Funds			78,987	78,987
Capital Projects Funds			438,606	438,606
Permanent Funds		100,000	14,139	114,139
Total Fund Balances	3,550,077	24,194,334	901,870	28,646,281
Total Liabilities and Fund Balances	\$ 4,277,178	\$ 25,105,691	\$ 919,112	\$ 30,301,981

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

STATE OF ALASKA
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 1.12

Total Fund Balances - Governmental Funds \$ 28,646,281

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5)

These assets consist of:

Land	658,744	
Buildings, net of depreciation	666,621	
Equipment, net of depreciation	193,342	
Infrastructure, net of depreciation	332,345	
Construction in progress	<u>2,141,836</u>	3,992,888

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21)

148,390

Some of the State's rents and royalties are not available soon enough to pay for the current period's expenditures and therefore are not reported in the funds.

10,912

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

52,249

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

Capital lease obligations	(271,171)	
Compensated absences	(110,611)	
Claims and judgements (net of federal reimbursement)	<u>(81,471)</u>	(463,253)

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 (net of federal reimbursement)	(739,018)	
Unamortized costs of issuance	5,715	
Accrued interest payable	<u>(5,960)</u>	(739,263)

Net Assets of Governmental Activities \$ 31,648,204

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, 2003
(Stated in Thousands)

STATEMENT 1.13

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,032,140	\$	\$ 30,646	\$ 1,062,786
Licenses and Permits	75,714		25,100	100,814
Charges for Services	167,165		340	167,505
Fines and Forfeitures	10,219		258	10,477
Rents and Royalties	848,288	397,642	40,772	1,286,702
Premiums and Contributions	10,015		19,794	29,809
Interest and Investment Income	202,732	859,850	15,195	1,077,777
Net Increase (Decrease) in the Fair Value of Investments		138,921	7,317	146,238
Federal Grants in Aid	1,749,007		20,137	1,769,144
Nonfederal Grants and Contracts			40	40
Payments In from Component Units	80,728			80,728
Other Revenues	17,624		20,185	37,809
Total Revenues	4,193,632	1,396,413	179,784	5,769,829
EXPENDITURES				
Current:				
General Government	240,278	36,633	1,693	278,604
Alaska Permanent Fund Dividend	908,676			908,676
Education	946,308		44,076	990,384
University	220,409		6,385	226,794
Health and Human Services	1,566,520		4,505	1,571,025
Law and Justice	131,316		43	131,359
Public Protection	459,150		171	459,321
Natural Resources	157,420		63,668	221,088
Development	136,144		9,098	145,242
Transportation	737,537		231	737,768
Intergovernmental Revenue Sharing	65,743			65,743
Debt Service:				
Principal	9,612		8,495	18,107
Interest and Other Charges	3,274		15,058	18,332
Total Expenditures	5,582,387	36,633	153,423	5,772,443
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,388,755)</u>	<u>1,359,780</u>	<u>26,361</u>	<u>(2,614)</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued			461,935	461,935
Bond Issue Premium			39,310	39,310
Transfers In from Other Funds	703,985		2,522	706,507
Transfers (Out to) Other Funds	(4,839)	(690,659)		(695,498)
Total Other Financing Sources and Uses	699,146	(690,659)	503,767	512,254
SPECIAL ITEMS				
Alaska Science and Technology Endowment Liquidation	97,706			97,706
Interest Earned on Grants Administered by AIDEA	29,707			29,707
Net Change in Fund Balances	(562,196)	669,121	530,128	637,053
Fund Balances - Beginning of Year	4,121,845	23,525,213	371,723	28,018,781
Prior Period Adjustment	(9,572)		19	(9,553)
Fund Balances - End of Year	\$ 3,550,077	\$ 24,194,334	\$ 901,870	\$ 28,646,281

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

STATE OF ALASKA
 Reconciliation of the Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 1.14

Net Change in Fund Balances - Total Governmental Funds \$ 627,500

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. This is the amount by which capital outlays exceeded depreciation in the current period (Note 5). See Note 3 for prior period adjustments.

Land	9,913	
Buildings, net of prior period adjustment (PPA)	51,554	
Equipment	7,069	
Infrastructure	99,679	
Construction in progress, net of PPA	225,873	
		394,088

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

Net current year revenue	5,584	
Prior period adjustment	(6,686)	
		(1,102)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund net of PPA. 59,990

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

Bond proceeds	(501,245)	
Accrued interest	(2,159)	
Repayment of bond principal	8,495	
Payments for bond agency fees	1,184	
		(493,725)

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

Claims and judgements net of PPA	32,572	
Compensated absences	(5,424)	
Capital lease payments	(11,981)	
Other long-term debt	11,806	
		26,973

Change in Net Assets of Governmental Activities \$ 613,724

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



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Proprietary Funds Financial Statements

MAJOR FUND

International Airports Fund (21602) - AS 37.15.410-550 - Administered by the Department of Transportation and Public Facilities. This fund consists of all revenues, fees, charges, and rentals derived by the state from the ownership, lease, use, and operation of the airports.

Nonmajor proprietary funds are presented by fund type in the Combining Fund Statements.



STATE OF ALASKA
Statement of Net Assets
Proprietary Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 1.21

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
ASSETS				
Current Assets:				
Cash and Investments	\$ 112,384	\$ 332,307	444,691	\$ 30,981
Accounts Receivable - Net	9,174	10,049	19,223	3,655
Interest and Dividends Receivable	207	5,416	5,623	
Due from Other Funds	2	284	286	4,588
Due from Component Units			0	1,113
Due from Other Governments	2,540	62	2,602	11
Loans, Notes, and Bonds Receivable		10,419	10,419	
Inventories			0	3,867
Other Current Assets			0	1,094
Total Current Assets	124,307	358,537	482,844	45,309
Noncurrent Assets:				
Interest and Dividends Receivable		24,400	24,400	
Loans, Notes, and Bonds Receivable		238,869	238,869	
Reposessed Property		2,281	2,281	
Investment in Projects, Partnerships, or Corporations		8,062	8,062	
Restricted Assets	218,600		218,600	
Other Noncurrent Assets		1,522	1,522	
Capital Assets:				
Equipment, Net of Depreciation	13,699		13,699	87,063
Buildings, Net of Depreciation	190,539		190,539	35,619
Infrastructure, Net of Depreciation	192,353		192,353	
Land	29,087		29,087	
Construction in Progress	150,178		150,178	
Total Noncurrent Assets	794,456	275,134	1,069,590	122,682
Total Assets	918,763	633,671	1,552,434	167,991
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1,523	6,248	7,771	9,529
Due to Other Funds	39,433	1,300	40,733	603
Due to Other Governments		5,711	5,711	
Interest Payable	4,551		4,551	21
Claims, Judgements, and Compensated Absences			0	3,413
Unearned and Deferred Revenue	3,887		3,887	
Notes, Bonds, and Leases Payable	6,580		6,580	2,168
Other Current Liabilities	5,319	258	5,577	
Total Current Liabilities	61,293	13,517	74,810	15,734
Noncurrent Liabilities:				
Notes, Bonds, and Leases Payable	349,930		349,930	3,867
Other Noncurrent Liabilities	134	20	154	
Total Noncurrent Liabilities	350,064	20	350,084	3,867
Total Liabilities	411,357	13,537	424,894	19,601
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	415,389		415,389	116,647
Restricted for:				
Unemployment Compensation		200,157	200,157	
Debt Service	8,093		8,093	
Other Purposes	4,488	198,708	203,196	
Unrestricted	79,436	221,269	300,705	31,743
Total Net Assets	\$ 507,406	\$ 620,134	\$ 1,127,540	\$ 148,390

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Premiums and Contributions	\$	\$ 156,455	\$ 156,455	\$ 51,902
Allowance for Uncollectible Contributions		4	4	
Charges for Goods and Services	76,259	719	76,978	60,411
Interest and Investment Income		12,107	12,107	
Allowance for Uncollectible Interest		(308)	(308)	
Fines and Forfeitures		150	150	
Federal Grants in Aid		770	770	
Other Operating Revenues	494		494	88
Total Operating Revenues	76,753	169,897	246,650	112,401
OPERATING EXPENSES				
Benefits		191,598	191,598	46,576
Operating	54,686	7,553	62,239	48,966
Depreciation	21,733	90	21,823	14,952
Provision for Loan Losses and Forgiveness		943	943	
Other Operating Expenses		151	151	
Total Operating Expenses	76,419	200,335	276,754	110,494
Operating Income (Loss)	334	(30,438)	(30,104)	1,907
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	6,567	17,253	23,820	728
Interest and Investment Expense	(1,473)	(5)	(1,478)	(298)
Gain (Loss) on Disposal of Capital Assets			0	(203)
Other Nonoperating Revenues (Expenses)	(5,299)	1,292	(4,007)	823
Total Nonoperating Revenues (Expenses)	(205)	18,540	18,335	1,050
Income Before Capital Contributions and Transfers	129	(11,898)	(11,769)	2,957
Capital Contributions	42,135	10,724	52,859	5,205
Transfers In from Other Funds		600	600	1,711
Transfers (Out to) Other Funds		(3,430)	(3,430)	(4,289)
Change in Net Assets	42,264	(4,004)	38,260	5,584
Total Net Assets - Beginning of Year	465,142	634,792	1,099,934	149,492
Prior Period Adjustment		(10,654)	(10,654)	(6,686)
Total Net Assets - End of Year	\$ 507,406	\$ 620,134	\$ 1,127,540	\$ 148,390

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, 2003
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$ 1,165	\$ 1,165	\$ 225
Receipts from Customers	77,700	(61)	77,639	60,142
Receipt of Principal from Loan Recipients		24,331	24,331	
Receipt of Interest and Fees from Loan Recipients		11,665	11,665	
Receipts from Insured		156,782	156,782	51,888
Payments to Employees	(30,909)	(864)	(31,773)	(20,335)
Payments to Suppliers	(28,195)	(764)	(28,959)	(28,473)
Payments to Loan Recipients		(29,397)	(29,397)	
Claims Paid	16,296	(190,408)	(174,112)	(46,540)
Interfund Services Used		(6,214)	(6,214)	
Other Receipts		1,944	1,944	88
Other Payments		(1,074)	(1,074)	(2,258)
Net Cash Provided (Used) by Operating Activities	34,892	(32,895)	1,997	14,737
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds		(3,430)	(3,430)	(4,289)
Operating Subsidies and Transfers In from Other Funds		598	598	1,386
Federal Grants		10,724	10,724	
Proceeds from Issuance of Short-term Debt		2,623	2,623	
Payments on Short-term Debt		(2,623)	(2,623)	
Interest and Fees Paid on Borrowing		(5)	(5)	
Net Cash Provided (Used) by Noncapital Financing Activities	0	7,887	7,887	(2,903)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets			0	830
Acquisition and Construction of Capital Assets	(118,192)		(118,192)	(11,432)
Principal Paid on Capital Debt	(6,048)		(6,048)	(2,189)
Interest and Fees Paid on Capital Debt	(12,511)		(12,511)	(365)
Federal Grants	35,343		35,343	
Other Receipts (Payments)	4,590		4,590	47
Net Cash Provided (Used) by Capital and Related Financing Activities	(96,818)	0	(96,818)	(13,109)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	7,247		7,247	
Purchase of Investments	(13,145)		(13,145)	
Interest and Dividends on Investments	10,919	17,253	28,172	715
Change in Restricted Cash and Investments	58,761		58,761	
Net Cash Provided (Used) by Investing Activities	63,782	17,253	81,035	715
Net Increase (Decrease) in Cash	1,856	(7,755)	(5,899)	(560)
Cash and Cash Equivalents - Beginning of Year	19,330	340,062	359,392	31,541
Cash and Cash Equivalents - End of Year	\$ 21,186	\$ 332,307	\$ 353,493	\$ 30,981

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

This statement continued on next page.

STATE OF ALASKA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2002
(Stated in Thousands)

STATEMENT 1.23

	Enterprise Funds			Internal Service Funds
	International Airports	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 334	\$ (30,438)	\$ (30,104)	\$ 1,907
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	21,733	90	21,823	14,952
Other Reconciling Items	58	1,202	1,260	
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	890	656	1,546	(3,098)
Due from Other Funds		52	52	3,205
Due from Component Units			0	71
Due from Other Governments		396	396	50
Loans, Notes and Bonds Receivable - Net		(4,968)	(4,968)	
Repossessed Property		742	742	
Investment in Projects, Partnerships, or Corporations		(380)	(380)	
Interest and Dividends Receivable - Net		(2,873)	(2,873)	
Inventories			0	(115)
Other Assets		2,384	2,384	(170)
Due to Other Funds	16,296	(1,090)	15,206	(349)
Due to Other Governments		840	840	
Accounts Payable and Accrued Liabilities	(4,419)	488	(3,931)	(1,882)
Other Liabilities		4	4	166
Net Cash Provided (Used) by Operating Activities	<u>\$ 34,892</u>	<u>\$ (32,895)</u>	<u>\$ 1,997</u>	<u>\$ 14,737</u>

Reconciliation of Cash to the Statement of Net Assets:

Total Cash and Investments per the Statement of Net Assets	\$ 112,384	\$ 332,307	\$ 444,691	\$ 30,981
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(91,198)		(91,198)	
Cash, End of Year	<u>\$ 21,186</u>	<u>\$ 332,307</u>	<u>\$ 353,493</u>	<u>\$ 30,981</u>

Noncash Investing, Capital, and Financing

Activities:				
Contributed Capital Assets				2,969
Interfund Asset Transfers				2,236
Transfers (Out to) Other Funds (Accrual)		(338)	(338)	
Transfers In from Other Funds (Accrual)		(2)	(2)	



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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
Private-purpose Trust Funds
Agency Funds



STATE OF ALASKA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 1.31

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 56,725	\$ 82,456
Investments	13,111,510	157,991
Investment Loss Trust Fund Assets	1,606	
Accounts Receivable - Net		1
Contributions Receivable	21,536	
Due from Other Funds	342	3,704
Other Assets	39	
Total Assets	13,191,758	244,152
LIABILITIES		
Accounts Payable and Accrued Liabilities	52,111	3,094
Trust Deposits Payable		241,036
Due to Other Funds	1,275	22
Total Liabilities	53,386	244,152
NET ASSETS		
Held in Trust for:		
Pension Benefits	8,310,364	
Postemployment Healthcare Benefits	2,904,696	
Individuals, Organizations, and Other Governments	1,923,312	
Total Net Assets	\$ 13,138,372	\$ 0

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

STATE OF ALASKA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 426,367
Member	283,823
Other	475
Total Premiums and Contributions	<u>710,665</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair	
Value of Investments	(143,076)
Interest	198,980
Dividends	173,265
Total Investment Income	229,169
Less Investment Expense	24,586
Net Investment Income	<u>204,583</u>
Other Additions	41
Total Additions	<u>915,289</u>
DEDUCTIONS	
Benefits Paid	1,106,094
Insurance Premiums	4,718
Refunds of Premiums and Contributions	16,865
Administrative Expenses	21,129
Total Deductions	<u>1,148,806</u>
Net Increase (Decrease) in Net Assets Held in	
Trust for:	
Pension Benefits	(70,535)
Postemployment Healthcare Benefits	(2,302)
Individuals, Organizations, and Other Governments	(160,680)
Net Assets - Beginning of the Year	13,371,889
Net Assets - End of the Year	<u>\$ 13,138,372</u>

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



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Component Units Financial Statements

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





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STATE OF ALASKA
Statement of Net Assets
Component Units
June 30, 2003
(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	\$ 23,362	\$ 371,765	\$ 370,231	\$ 829,919	\$ 1,595,277
Accounts Receivable - Net	60,833			13,914	74,747
Interest and Dividends Receivable	54	22,349	4,818	11,964	39,185
Due from Primary Government	7,032	1,048		435	8,515
Due from Component Units	4,987			199	5,186
Due from Other Governments	2,020			5,672	7,692
Loans, Notes, and Bonds Receivable	5,802	3,312,511	294,299	283,577	3,896,189
Inventories	7,644			9,016	16,660
Net Investment in Direct Financing Leases		36,165	278,417		314,582
Investments in Projects, Partnerships, or Corporations			86,963		86,963
Restricted Assets	142,109	1,168,447	113,117	813,222	2,236,895
Other Assets	27,062	38,161	11,543	1,798	78,564
Capital Assets:					
Equipment, Net of Depreciation	120,739	643		62,846	184,228
Buildings, Net of Depreciation	450,632	54,738		32,307	537,677
Infrastructure, Net of Depreciation	12,323			378,623	390,946
Land	25,949	13,873		18,636	58,458
Construction in Progress	94,212	35,811		167,636	297,659
Total Assets	<u>984,760</u>	<u>5,055,511</u>	<u>1,159,388</u>	<u>2,629,764</u>	<u>9,829,423</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	35,739		1,647	30,879	68,265
Due to Primary Government		7,868		104,842	112,710
Due to Component Units				1,805	1,805
Due to Other Governments				13	13
Interest Payable		15,627	5,564	22,108	43,299
Other Current Liabilities	33,173	149,995	1,700	564	185,432
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgements, and Compensated Absences				390	390
Unearned and Deferred Revenue			4,532	18,002	22,534
Notes, Bonds, and Leases Payable	4,354	81,376	11,665	58,495	155,890
Other Long-term Debt	1,281				1,281
Other Noncurrent Liabilities		27,287			27,287
Portion Due or Payable After One Year:					
Unearned and Deferred Revenue	14,684			231,238	245,922
Notes, Bonds, and Leases Payable	95,961	3,029,565	304,780	832,800	4,263,106
Other Long-term Debt	12,490			11,036	23,526
Other Noncurrent Liabilities	4,564	6,227	7,271	16,439	34,501
Total Liabilities	<u>202,246</u>	<u>3,317,945</u>	<u>337,159</u>	<u>1,328,611</u>	<u>5,185,961</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	602,274	104,458	9,192	314,716	1,030,640
Restricted for:					
Education	136,122			311,693	447,815
Debt Service	3,283	776,180	2,628	43,006	825,097
Other Purposes		578,978		363,731	942,709
Unrestricted	40,835	277,950	810,409	268,007	1,397,201
Total Net Assets	<u>\$ 782,514</u>	<u>\$ 1,737,566</u>	<u>\$ 822,229</u>	<u>\$ 1,301,153</u>	<u>\$ 4,643,462</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, 2003
(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	\$ 532,192	\$ 102,272	\$ 172,854	\$ 18,235
Alaska Housing Finance Corporation	376,685	227,205	41,868	11,834
Alaska Industrial Development and Export Authority	56,822	47,112		112
Nonmajor Component Units	235,591	174,732	40,843	14,761
Total Component Units	\$ 1,201,290	\$ 551,321	\$ 255,565	\$ 44,942

General Revenues:

Interest and Investment Earnings

Tobacco Settlement

Net Increase (Decrease) in the Fair Value of Investments

Payments In from Component Units

Payments In from Primary Government

Other Revenues

Special Items:

Alaska Science and Technology Endowment Liquidation

Total General Revenues and Special Items

Change in Net Assets

Net Assets - Beginning of Year

Prior Period Adjustment

Accounting Changes

Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets				
University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
\$ (238,831)	\$	\$	\$	\$ (238,831)
	(95,778)			(95,778)
		(9,598)		(9,598)
			(5,255)	(5,255)
<u>(238,831)</u>	<u>(95,778)</u>	<u>(9,598)</u>	<u>(5,255)</u>	<u>(349,462)</u>
13,578	57,013	16,997	29,871	117,459
578	9,877	15,241	3,571	29,267
42,877				42,877
229,680				229,680
	644			644
			(97,706)	(97,706)
286,713	67,534	32,238	(64,264)	322,221
47,882	(28,244)	22,640	(69,519)	(27,241)
734,632	1,765,810	799,589	1,368,914	4,668,945
			137	137
			1,621	1,621
<u>\$ 782,514</u>	<u>\$ 1,737,566</u>	<u>\$ 822,229</u>	<u>\$ 1,301,153</u>	<u>\$ 4,643,462</u>



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Notes to the Financial Statements



**STATE OF ALASKA
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For the Fiscal Year Ended June 30, 2003**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

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

BLENDED COMPONENT UNITS

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue (AS 37.13.040). A governor-appointed six-member board manages APFC. The legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the state constitution. The beneficiaries of the fund are all present and future generations of Alaskans. The Fund represents 85 percent of the total cash and investments and 74 percent of total government-wide net assets excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the Fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 25500, Juneau, AK 99802-5500.

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

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

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

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

Pursuant to bond indentures, these adjustments could affect the amount of funds available to pay scheduled debt service payments.

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

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

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

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

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Development Corporation (AADC)** is a public corporation of the state located for administrative purposes within the Department of Community and Economic Development (AS 14.40.821). The governor appoints the voting members of the AADC board of directors and the legislature approves AADC's budget. AADC is also affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of AADC is to allow the state to take a lead role in the exploration and development of space, to enhance human and economic development, and to provide a unified direction for space-related economic growth, education and research development, and tourism related activities. AADC is also to promote the continued utilization of the Poker Flat Research Range as a launch site for launch vehicles and for scientific research. Additionally, AADC is to promote and encourage the continued utilization of Poker Flat Research Range for the University of Alaska's polar research efforts. AADC financial statements may be obtained from the Alaska Aerospace Development Corporation, 4300 B. St., Suite 101, Anchorage, AK 99503.

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

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

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

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

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

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

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 moneys 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 Community and Economic Development (AS 42.40.010). ARRC has a legal existence independent of and separate from the state. The powers of ARRC are vested in the board of directors. All members of the board of directors of ARRC are appointed by and serve at the pleasure of the governor. ARRC was created by the State of Alaska legislature to own and operate the railroad and manage its rail, industrial, port, and other properties. The ARRC commenced operations on

January 6, 1985. ARRC financial statements may be obtained from the Alaska Railroad Corporation, P.O. Box 107500, Anchorage, AK 99510-7500.

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

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

A BIDCO (AS 37.17.210) loan fund was created in ASTF in FY 95 to assist in the formation, capitalization, and operation of corporations that are licensed under AS 10.13. In accordance with statute, the BIDCO earned sufficient capitalization loan credits to retire a FY 97 loan, effective December 31, 2002.

During the legislative session held in 2003, the balance as of June 30, 2003 of the ASTE was appropriated to the general fund (Chapter 82, SLA 2003) and the balance of ITBE (Chapter 83, SLA 2003) was appropriated to the Alaska debt retirement fund. The legislation mandating these transfers for ASTE was effective on June 30, 2003 and ITBE was effective on July 1, 2003. Both endowments were fully liquidated and transferred to the respective funds in July 2003.

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

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

The **University of Alaska** is established as a corporation and is an instrumentality of the state (AS 14.40.040). A board of regents appointed by the governor and confirmed by the legislature governs the university. The legislature approves the university's budget. The university is created and acts for the benefit of the state and the public in providing education in accordance with an express mandate of the constitution. The university's financial statements may be obtained from the University of Alaska, Statewide Fund Accounting, 209 Butrovich Building, P.O. Box 756540, Fairbanks, AK 99775-6540.

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the state (AS 16.51.010). It is an instrumentality of the state with a legal existence independent of and separate from the state. ASMI is governed by a board of directors appointed by the governor, and its budget is approved by the legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. Although ASMI has been determined to be a component unit required to be discretely presented, it is reported in the general fund within the Department of Community and Economic Development because its financial activities, which are immaterial, are currently accounted for in the state's general fund. The ASMI fiscal year 2003 budget was approximately \$11.2 million.

B. BASIC FINANCIAL STATEMENTS

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

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

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements are, in substance, very similar to the previous financial reporting model's financial statements. However, the new model emphasis is on major funds (of which the state has three, the general fund and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund, which is an enterprise fund). All nonmajor funds are summarized into a single column on the respective funds statements: governmental; proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, and agency funds. The State of Alaska does not have any fiduciary private-purpose trust funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

E. FISCAL YEAR-ENDS

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

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

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

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

The assets of the Non-retirement Domestic Equity Pool are comprised of shares in the Russell 3000 Index Common Trust Fund (Trust), a passively managed commingled index fund. The underlying securities in this Trust are valued each business day in good faith and pursuant to procedures established by the Trustee.

Domestic and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers. Equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates or, in the absence of a sale, at the last reported bid price.

Emerging markets securities are valued on the last business day of each month. Equity securities are valued using the last reported sale price on the exchange on which the securities are traded or, in the absence of a sale, at the last reported bid price. Fixed income securities are valued using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type. Securities for which representative market quotations are not readily available are valued in good faith under policies approved by the commingled equity fund's board of directors.

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

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

Real estate investments are valued quarterly using public market quotations, where a quoted market exists, or by independent appraisers, and are periodically adjusted by trustees of the investments when market conditions change. Mortgage loans are valued at their principal balance (cost) less an allowance for loan loss, the net result of which approximates fair value.

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 Short-term Fixed Income Pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. At June 30, 2003, the assets of the pool were comprised of money market instruments, U.S. treasuries, U.S. government agency debt, mortgage and asset-backed securities, and corporate debt.

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

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

Public domain infrastructure acquired beginning in FY 02, such as highways and bridges, is capitalized. By fiscal year 2006, infrastructure acquired prior to FY 02 will be inventoried and included in total infrastructure assets.

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that state employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2003, this liability is recognized and reported in the government-wide and proprietary fund financial statements. The state's estimated liability for compensated absences, as reported in the statement of net assets, is \$114.0 million. A liability for compensated absences is reported in the governmental funds' statements only for the current portion of accumulated unpaid annual or personal leave, which as of June 30, 2003, is \$4.8 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. See Note 12 for disclosure of the amount of the sick leave contingency.

The cost of compensated absences (annual/personal leave and sick leave) for state employees is charged against agency appropriations when leave is used rather than when leave is earned, except for the payment of the accumulated annual/personal leave balance for an employee terminating from state service. That amount is charged to a terminal leave liability account rather than the individual agency appropriation. This liability account is funded by a charge to each agency's operating budget.

NET ASSETS/FUND BALANCE

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

FUND BALANCE RESERVES/DESIGNATIONS

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ending June 30, 2003 (in thousands).

Reserved	General	Permanent	Special Revenue	Debt Service	Capital Projects
Encumbrances	\$ 212,546	\$ 43	\$18,479	\$ -	\$ 18,215
Nonliquid Assets	5,161,740	-	-	-	-
Bonds	-	-	-	67,078	-
Other	26,672	24,360,657	-	-	-
Total Reserved	<u>5,400,958</u>	<u>24,360,700</u>	<u>18,479</u>	<u>67,078</u>	<u>18,215</u>
Unreserved					
Designated					
Continuing Appropriations	257,772	556	15,993	-	438,694
Other	962,976	100,000	401	-	-
Undesignated	(3,071,629)	13,583	62,593	-	(88)
Total Unreserved	<u>(1,850,881)</u>	<u>114,139</u>	<u>78,987</u>	<u>-</u>	<u>438,606</u>
Total Fund Balance	<u>\$3,550,077</u>	<u>\$24,474,839</u>	<u>\$97,466</u>	<u>\$67,078</u>	<u>\$456,821</u>

RESTRICTED NET ASSETS

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets (\$24,094 million) and \$266 million of the Public School Trust Fund net assets are nonexpendable. The remaining \$14 million (five percent) of the Public School Trust Fund restricted net assets are expendable.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

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

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 03, supplemental appropriations of \$187.0 million were required, of which \$94.4 million were appropriations from the general fund.

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

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 03, the Office of Management and Budget estimated the limit to be approximately \$6.6 billion. The FY 03 budget passed by the legislature was \$2.5 billion (unrestricted general fund revenues only), or \$4.1 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

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

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

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

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

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

Article IX, section 17(d) Alaska Constitution (FY 03)	<u>(88,755,533)</u>
Subtotal FY 03	<u>540,181,214</u>
Total appropriated from the CBRF	<u>\$ 5,112,937,352</u>

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

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

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

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

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

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

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

Chapter 98, SLA 1997, Page 47, line 3, chapter 2, SLA 1999, section 16(c), chapter 135, SLA 2000, section 18(c), chapter 61, SLA 2001, section 93(c) and chapter 1, SSSLA 2002, section 94(c) appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, and FY 03 respectively.

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

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

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

NOTE 3 – ACCOUNTING CHANGES AND BEGINNING FUND BALANCE/NET ASSETS ADJUSTMENTS

Effective for the year ended June 30, 2003, the Alaska Student Loan Corporation, a component unit of the state, changed its method of amortizing bond issuance costs from the effective interest method to the straight-line method. The cumulative effect of the change in accounting method is \$1,620,730.

The following table summarizes changes to fund balance/net assets as previously reported to beginning fund balance/net assets, as restated, as a result of reclassification of funds for the Fiscal Year Ended June 30, 2003

	June 30, 2002 As Previously Reported	Fund Reclassification	June 30, 2002 As Restated
GOVERNMENTAL FUNDS & ACTIVITIES			
General Fund	\$ 4,117,395	\$ -	\$ 4,117,395
Previously reported as Private-purpose Trust Fund:			
Memorial Education Revolving Loan	-	4,325	4,325
Alaska Veterans' Memorial Endowment	-	125	125
Total General Fund	<u>4,117,395</u>	<u>4,450</u>	<u>4,121,845</u>
FIDUCIARY FUNDS			
Private-purpose Trust Fund			
Memorial Education Revolving Loan	4,325	(4,325)	-
Alaska Veterans' Memorial Endowment	125	(125)	-
Total Private-purpose Trust Funds	<u>4,450</u>	<u>(4,450)</u>	<u>-</u>
Totals for fund reclassifications during FY 2003	<u>\$ 4,121,845</u>	<u>\$ -</u>	<u>\$ 4,121,845</u>

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

- \$1,473 increase to the general fund reflects cash proceeds of Certificates of Participation that were not reported in the financial statements for previous years.
- \$11,139 decrease to the general fund removes federal revenues that were previously reported, but are not available to meet current obligations. This adjustment is not made to the government-wide financial statements, which are reported on an accrual basis.
- \$10,647 decrease to nonmajor enterprise funds is to correct treatment of deferred interest in the Fisheries Enhancement Revolving Loan Fund.
- \$6,686 decrease to internal service funds is to correct the building valuations in the Alaska Public Building Fund and correct other miscellaneous errors in that fund, the Information Services Fund, and the Highway Equipment Working Capital Fund.

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

- \$8,917 decrease to capital assets to correct the amount reported for buildings, software development, and other construction in progress.

- \$33,620 decrease to claims and judgements to comply with GASB Statement Number 10, which requires public entities to use “expected” amounts to value liabilities for the financial statements.

A prior period adjustment affected the beginning cash balance on the Combining Statement of Cash Flows for enterprise funds. Prior to fiscal year 2003, the Alaska Clean Water and Alaska Drinking Water netted Warrants Outstanding against Cash and Investments for their Statement of Net Assets. In fiscal year 2003, these accounts are reported separately as a liability and an asset. As a result, the Cash and Equivalents at the beginning of the year on the Statements of Cash Flows, Alaska Drinking Water’s Cash and Equivalents-Beginning of Year is \$302 thousand higher than that stated at the end of last year, and Alaska Drinking Water’s is \$90 thousand higher.

NOTE 4 – DEPOSITS AND INVESTMENTS

GASB Statement No. 3 requires disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the deposits or securities fails. Deposits are classified into three categories of credit risk: Category 1 – Insured or collateralized with securities held by the State or its custodian in the State’s name; Category 2 – Collateralized with securities held by the counterparty’s trust department (if a bank) or agent in the State’s name; and Category 3 – Uncollateralized. Investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 - Insured or registered, or securities held by the State or its custodian in the State’s name; Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State’s name; and Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State’s name. Category 1 is the highest level of safekeeping as defined by GASB for both deposits and investments.

A. DEPOSITS AND INVESTMENTS UNDER THE CONTROL OF THE COMMISSIONER OF REVENUE

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

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

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

With the exception of tobacco revenue investments, investments are managed in a pooled environment. Actual investing is performed by investment officers in the Department of Revenue, Treasury Division or by contracted external investment managers. External management companies manage international equities, domestic equities and some domestic fixed income. Treasury Division staff act as oversight manager for all externally managed investments. The Short-term Fixed Income Pool, Intermediate-term Fixed Income Pool and the Broad Market Fixed Income Pool are internally managed. Information related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division.

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

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Non-retirement Domestic Fixed Income Pool and the Non-retirement Domestic Equity Pool cannot be categorized

because the amounts reported represent interests in open-ended mutual fund-like pools rather than ownership of specific, identifiable securities. The Government Short-term Investment Fund is an institutional investment fund and, as such, cannot be categorized because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities. The tobacco revenue fixed income investments are not transferable financial instruments (securities) and therefore cannot be categorized with regard to credit risk.

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

Deposits and investments at June 30, 2003, are summarized as follows (in thousands):

<u>Deposits</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Noninterest bearing	\$ 18,484	\$ -	\$ 6,960	\$ 25,444
Interest bearing	-	-	34,219	34,219
Total deposits	<u>\$ 18,484</u>	<u>\$ -</u>	<u>\$ 41,179</u>	<u>\$ 59,663</u>
<u>Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Cash equivalents:				
U.S. Government	\$ 167,529	\$ -	\$ -	\$ 167,529
Federal agency debt	104,860	-	-	104,860
Commercial paper	532,187	-	-	532,187
Marketable debt securities:				
U.S. Government and municipal debt	786,068	-	-	786,068
Federal agency debt	243,047	-	-	243,047
Corporate debt	1,188,429	-	-	1,188,429
Yankees	70,888	-	-	70,888
Asset backed securities	652,981	-	-	652,981
Mortgage backed securities	690,654	-	-	690,654
Equity securities:				
International equities – common stock	123,877	-	-	123,877
Total categorized investments	<u>\$ 4,560,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,560,520</u>
Not categorized:				
Nonretirement Domestic Fixed Income Pool				\$ 11,271
Nonretirement Domestic Equity Pool				452,983
Government Short-term Investment Fund				2,493
Tobacco Revenue Fixed income				59,493
Unsettled investment transactions				223
Interest and dividends receivable				27,317
Total not categorized				<u>553,780</u>
Investments under the control of others:				
Alaska State Pension Investment Board				(331,280)
Exxon Valdez Oil Spill Trustee Council				(157,991)
University of Alaska				<u>(36,370)</u>
Deposits and Investments under the control of the Commissioner of Revenue				<u>\$ 4,648,322</u>

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

Securities Lending

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

At June 30, 2003, the fair value of securities on loan totaled \$665,654,865 which is attributable on a pro rata basis to the funds whose assets are under the fiduciary responsibility of the Commissioner. There is no limit to the amount that can be loaned and the Commissioner is able to sell securities on loan. International equity security loans are fully collateralized at not less than 105 percent of their fair value. All other security loans are fully collateralized at not less than 102 percent of their fair value. The Bank invests the collateral in a commingled investment pool; maturities of these investments generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. The Bank may pledge or sell collateral upon borrower default. Since the Commissioner does not have the ability to pledge or sell the collateral unless the borrower defaults, no assets or liabilities are recorded on the financial statements. There is limited credit risk associated with the lending transactions since the Commissioner is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank. The Bank and the borrower receive a fee from earnings on invested collateral.

For the year ended June 30, 2003, there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

Foreign Exchange Contracts and Off-Balance Sheet Risk

The SOA 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 in these currencies. The maturity period for the contract outstanding at June 30, 2003, was five days.

At June 30, 2003, the Fund had a sale contract outstanding totaling \$10,183. The fair value of this contract, using the forward rate at June 30, 2003, was \$10,265. This resulted in a net unrealized gain of \$82 at June 30, 2003.

The counterparty to the foreign currency forward contract consisted of a single brokerage firm. Credit risk exposure exists to the extent of non-performance by this counterparty; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

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

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

PENSION FUNDS

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

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

related to the various pools and investments is disclosed in the financial schedules issued by the Department of Revenue, Treasury Division.

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

Certain types of investments are not subject to the custodial credit risk disclosure requirements in GASB Statement No. 3. The Short-term Fixed Income Pool contains assets of other participants outside the control of ASPIB and, as such, cannot be categorized because the amounts reported represent interests in the pool rather than ownership of specific, identifiable securities. The Government Short-term Investment Fund is an institutional investment pool and, as such, cannot be categorized because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities. The private equity, real estate and mortgage related assets are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

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

Deposits and investments at June 30, 2003 are summarized as follows (in thousands):

<u>Deposits</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Interest bearing	\$ -	\$ -	\$ 22,067	\$ 22,067
<u>Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Cash equivalents:				
U.S. Government	\$ 160,260	\$ -	\$ -	\$ 160,260
Federal agency debt	206,893	-	-	206,893
Marketable debt securities:				
U.S. Government and municipal debt	386,454	-	-	386,454
Federal agency debt	180,346	-	-	180,346
Corporate debt	817,736	-	-	817,736
Yankees	34,122	-	-	34,122
Convertible bonds	5,587	-	-	5,587
Asset backed securities	147,903	-	-	147,903
Mortgage backed securities	997,573	-	-	997,573
International fixed income - government	309,236	-	-	309,236
International fixed income - corporate	88,990	-	-	88,990
Equity securities:				
Domestic equities - common	4,397,778	-	-	4,397,778
Domestic equities - preferred	730	-	-	730
Emerging market equities	-	114,661	-	114,661
International equities - common	1,688,123	-	-	1,688,123
Total categorized investments	<u>\$ 9,421,731</u>	<u>\$ 114,661</u>	<u>\$ -</u>	<u>\$ 9,536,392</u>
Not categorized				
Short-term Fixed Income Pool				331,280
Government Short-term Investment Fund				26,765
Private equity				321,021
Real estate equity				773,664
Mortgage-related assets				215
Unsettled investment transactions				10,175
Interest and dividends receivable				43,179
Total not categorized				<u>1,506,299</u>
Total investments				<u>11,042,691</u>
Total deposits and investments				<u>\$ 11,064,758</u>

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, AK 99811-0405.

Participant's Ownership in Pooled Investments

Public Employees' Trust Fund	\$ 7,389,406
Teachers' Trust Fund	3,599,112
Judicial Trust Fund	63,508
Alaska National Guard and Alaska Naval Militia Retirement Fund	12,732
Total	<u>\$ 11,064,758</u>

Securities Lending

Alaska Statute 37.10.071 authorizes the ASPIB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent market value. In January 2001, the ASPIB entered into an agreement with State Street Corporation (the Bank) to lend fixed income, domestic equity and international equity securities. The Bank, acting as the ASPIB's agent under the

agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2003 the fair value of securities on loan allocable to the Pension Funds Invested Assets totaled \$935,479,000. There is no limit to the amount that can be loaned and the ASPIB is able to sell securities on loan. International equity security loans are fully collateralized at not less than 105 percent of their fair value. All other security loans are fully collateralized at not less than 102 percent of their fair value. The Bank invests the collateral in a commingled investment pool; maturities of these investments generally did not match the maturities of the loaned securities because the lending agreements are terminable at will. The Bank may pledge or sell collateral upon borrower default. Since ASPIB does not have the ability to pledge or sell the collateral unless the borrower defaults, no assets or liabilities are recorded on the financial statements. There is limited credit risk associated with the lending transactions since the ASPIB is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank. The Bank and the borrower receive a fee from earnings on invested collateral.

For the year ended June 30, 2003 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

Foreign Exchange Contracts and Off-Balance Sheet Risk

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The maturity periods for these contracts range from one to three months. The Fund had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, as follows:

Net contract sales	\$ 1,443,000
Less: fair value	<u>1,424,491</u>
Net unrealized gains on contracts	<u>\$ 18,509</u>

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

Commitments and Contingencies

The Board entered into agreements through external investment managers to provide capital funding for limited and general partnerships as it continues to build a private equity portfolio. At June 30, 2003, the Pension Funds had unfunded commitments totaled \$395,082,860 to be paid through the year 2008.

DEFERRED COMPENSATION

The State’s Internal Revenue Code Section 457 deferred compensation plan holds investments in an Interest Income Fund and several collective investment funds: the International Equity Fund, Citizens Core Growth Fund, Small Cap Stock Fund, S&P 500 Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Government/Credit Bond Fund, and the Intermediate Bond Fund. As of December 31, 2002, deferred compensation plan investments totaled \$346.9 million.

The Interest Income Fund is increased by contributions and earnings, and decreased by investment expenses and participant withdrawals paid to terminated members. The Interest Income Fund holds fully benefit responsive investment contracts (\$113.1 million) and shares in the Short-term Investment Fund (\$6.7 million) comprised of cash and cash equivalents. The investment contracts are stated at contract values, which approximate fair value. The investment contracts cannot be categorized into one of the three risk categories because they do not represent transferable financial instruments. Residual cash is held by the custodian in the Short-term Investment Fund in the State’s name. Assets in the Short-term Investment Fund are comprised of short-tem debt instruments with maturities not to exceed 13 months and are valued at fair value. The Short-term Investment Fund is a commingled investment fund and, as such, cannot be categorized into one of the three risk

categories because the amounts reported represent interests in the fund rather than ownership of specific, identifiable securities.

Investments in collective investment funds (\$227.1 million), held in trust, are stated at fair value based on the unit value as reported by the trustees multiplied by the number of units held. The unit value is determined by the trustees based on the fair market value of the underlying assets. Purchases and sales of assets within the collective investment funds are recorded on a trade-date basis. Investments in collective investment funds cannot be categorized into one of the three risk categories because they represent interests (shares) in funds rather than ownership of specific, identifiable securities.

SUPPLEMENTAL BENEFITS SYSTEM

Supplemental Benefits System (SBS) holds shares in the following participant-directed investment options: Alaska Balanced Fund, Alaska Target 2005 Fund, Alaska Target 2010 Fund, Alaska Target 2015 Fund, Alaska Target 2020 Fund, Long Term Balanced Fund, Small Cap Stock Trust Fund, International Equity Fund, S&P 500 Stock Index Fund, Tactical Asset Allocation Fund, Global Balanced Fund, Daily Government/Corporate Bond Fund, Citizens Core Growth Fund, and the Short-term Investment Fund. SBS also holds shares in the State’s internally managed Short-term Fixed Income Pool. At January 31, 2003, SBS investments totaled \$1.57 billion (fair value). All assets are held in trust.

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

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

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

Investments at January 31, 2003, are summarized as follows (in thousands):

<u>Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Pooled investment funds	\$ 1,058,133	\$ -	\$ -	\$ 1,058,133
Not categorized				
Cash and cash equivalents				50,160
Collective investment funds				461,485
Total				<u>\$ 1,569,778</u>

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

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

ALASKA PERMANENT FUND CORPORATION

Alaska Permanent Fund Corporation deposits and investments subject to classification according GASB Statement No. 3 are within risk category 1, the lowest risk category. The deposits and investments not subject to classification include cash and

money market funds, non-domestic equity emerging markets fund, real estate equity investments, and mortgages and property notes receivable.

CASH AND TEMPORARY INVESTMENTS

All cash and temporary investments bear interest at competitive rates, and are summarized as follows at June 30, 2003 (in thousands):

Cash (a)	\$ 106,720
U.S. agencies (b)	104,067
Treasury bills (b)	11,026
Commercial paper (c)	415,939
Total	<u>\$ 637,752</u>

- (a) Share ownership in a money market fund, payable on demand. Collateralized by underlying securities held by the money market fund in the name of the custodian.
- (b) Debt obligation guaranteed by the U.S. government held by the custodian in the name of the Fund.
- (c) Commercial paper rated investment grade, held by the custodian in the name of the Fund.

MARKETABLE DEBT SECURITIES

The Corporation is authorized by statute to invest Fund assets in (i) corporate bonds rated investment grade, (ii) obligations of the U.S. Treasury, its agencies and instrumentalities, and (iii) foreign obligations of comparable quality. All marketable debt securities are held by custodian banks in the name of the Fund. Marketable debt securities at June 30, 2003, are summarized as follows (in thousands):

	Cost	Market	Unrealized Gains/(Losses)
Treasury notes/bonds	\$ 3,349,451	\$ 3,405,231	\$ 55,780
Mortgage-backed securities	1,974,779	2,032,847	58,068
Other federal agencies	264,219	294,994	30,775
Corporate bonds	2,067,496	2,261,038	193,542
Nondomestic bonds	1,003,793	1,088,047	84,254
Total	<u>\$ 8,659,738</u>	<u>\$ 9,082,157</u>	<u>\$ 422,419</u>

PREFERRED AND COMMON STOCK

The Corporation is authorized by statute to invest Fund assets in the preferred and common stock of United States and nondomestic corporations. All preferred and common stock investments are held by custodian banks in the name of the Fund.

The Corporation may invest Fund assets in (i) equity securities up to 55 percent of total Fund investments, and (ii) other investments, which meet the test of prudence, including those currently authorized by law, up to 5 percent of total Fund investments.

Preferred and common stock at June 30, 2003, are summarized as follows (in thousands):

	Cost	Market	Unrealized Gains/(Losses)
Domestic	\$ 8,348,089	\$ 9,000,820	\$ 652,731
Nondomestic bonds	3,850,868	3,749,469	(101,399)
Total	<u>\$ 12,198,957</u>	<u>\$ 12,750,289</u>	<u>\$ 551,332</u>

ALASKA CERTIFICATES OF DEPOSIT

The Corporation is authorized by statute to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks, and credit unions doing business in Alaska. Collateral, primarily in the form of letters of credit from the Federal Home Loan Bank or U.S. government securities, secure these investments.

REAL ESTATE

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

All real estate investments are held by the Corporation in its own name on behalf of the Fund, and are managed by professional real estate management firms. Real estate investment trusts and commercial mortgage-backed securities are held by custodian banks in the name of the Fund.

During the fiscal year ended June 30, 2003, the Corporation analyzed its real estate investments for permanent impairment. This review indicated that three assets were impaired, and consequently the carrying values of these assets were written down to their market values. The total charge to the asset carrying value and operating income was \$63,799,000. The statement of revenues, expenditures and changes in fund balances includes this amount in the net increase (decrease) in the fair value of investments – real estate.

The carrying value of real estate at June 30, 2003, was \$2,057,104,000. Direct real estate investments, commingled funds, property notes receivable, and commercial and residential mortgages are recorded in the financial statements using the equity method, which consists of the asset's historical cost plus the Fund's share of undistributed earnings from the asset. Real estate investment trusts and commercial mortgage-backed securities are recorded in the financial statements at their market value.

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

Real estate investments at June 30, 2003, are summarized as follows (in thousands):

	Cost/Equity Value	Market Value	Unrealized Gains/(Losses)	Carrying Value
Commingled funds	\$ 436	\$ 1,091	\$ 655	\$ 436
Real estate investment trusts	616,894	742,344	125,450	742,344
Alaska residential mortgages	96	96	-	96
Property note receivable	3,198	3,198	-	3,198
Direct investments:				
Retail	346,491	370,840	24,349	346,491
Office	491,042	520,574	29,532	491,042
Industrial	158,299	174,214	15,915	158,299
Residential	315,198	348,605	33,407	315,198
Total	<u>\$ 1,931,654</u>	<u>\$ 2,160,962</u>	<u>\$ 229,308</u>	<u>\$ 2,057,104</u>

NORTHERN TOBACCO SECURITIZATION CORPORATION

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

<u>INVESTMENTS</u>	Category 1	Category 2	Category 3	Fair Value
Bank investment agreements	\$ -	\$ -	\$ 17,785	\$ 17,785
U.S. agency securities	11,089	-	-	11,089
Total categorized investments	<u>\$ 11,089</u>	<u>\$ -</u>	<u>\$ 17,785</u>	28,874
Not Categorized:				
Money market funds				313
Total				<u>\$ 29,187</u>

DISCRETELY PRESENTED COMPONENT UNITS

At June 30, 2003, the discretely presented component units' investments by risk category were (in thousands):

<u>INVESTMENTS</u>	Category 1	Category 2	Category 3	Fair Value
U.S. Treasury securities	\$ 289,423	\$ 26,399	\$ -	\$ 315,822
U.S. Government agency securities	407,624	112,959	-	520,583
Corporate securities	538,978	316,587	258,060	1,113,625
Total categorized investments	<u>\$ 1,236,025</u>	<u>\$ 455,945</u>	<u>\$ 258,060</u>	\$ 1,950,030
Not categorized				
Equity in State treasury				242,084
Equity in Permanent Fund Corporation investments				416,240
Other				561,460
Total				<u>\$ 3,169,814</u>

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

<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
Equipment/software	\$100,000	3-60	\$5,000	5-10

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

Capital asset activities for the fiscal year ended June 30, 2003, were as follows (in millions).

<u>Governmental Activities</u>	<u>Beginning Balance (restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 649	\$ 11	\$ (1)	\$ 659
Construction in progress	1,914	385	(157)	2,142
Total capital assets not being depreciated	<u>2,563</u>	<u>396</u>	<u>(158)</u>	<u>2,801</u>
Capital assets being depreciated:				
Buildings	1,045	115	(42)	1,118
Equipment	544	38	(12)	570
Infrastructure	249	127	(2)	374
Total Capital assets being depreciated	<u>1,838</u>	<u>280</u>	<u>(56)</u>	<u>2,062</u>
Less accumulated depreciation for:				
Buildings	(395)	(20)	-	(415)
Equipment	(272)	(26)	8	(290)
Infrastructure	(17)	(25)	-	(42)
Total accumulated depreciation	<u>(684)</u>	<u>(71)</u>	<u>8</u>	<u>(747)</u>
Total capital assets being depreciated, net	<u>1,154</u>	<u>209</u>	<u>(48)</u>	<u>1,315</u>
Capital assets, net	<u>\$ 3,717</u>	<u>\$ 605</u>	<u>\$ (206)</u>	<u>\$ 4,116</u>

For some internal service funds, see note 3 for additional information on restated beginning balances due to prior period adjustments.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 28	\$ 1	\$ -	\$ 29
Construction in progress	89	61	-	150
Total capital assets not being depreciated	<u>117</u>	<u>62</u>	<u>-</u>	<u>179</u>
Capital assets being depreciated:				
Buildings	288	10	-	298
Equipment	40	3	-	43
Infrastructure	332	49	-	381
Total Capital assets being depreciated	<u>660</u>	<u>62</u>	<u>-</u>	<u>722</u>
Less accumulated depreciation for:				
Buildings	(99)	(8)	-	(107)
Equipment	(27)	(2)	-	(29)
Infrastructure	(178)	(11)	-	(189)
Total accumulated depreciation	<u>(304)</u>	<u>(21)</u>	<u>-</u>	<u>(325)</u>
Total capital assets being depreciated, net	<u>356</u>	<u>41</u>	<u>-</u>	<u>397</u>
Capital assets, net	<u>\$ 473</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ 576</u>

The following relates to the land owned by the state:

- ◆ The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 90.1 million acres have been patented or “tentatively approved.”
- ◆ The state disposes of various land parcels through several programs. However, the state generally retains the subsurface rights of the land upon disposal.

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

Governmental Activities	<u>Amount</u>
General Government	\$ 2
Education	6
Health and Human Services	3
Law and Justice	3
Natural Resources	1
Public Protection	4
Transportation	34
Depreciation on capital assets held by the state's internal service funds is charged to the various functions based on their use of the assets.	<u>15</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 68</u>
Business-type Activities	
Enterprise	<u>\$ 21</u>

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2003 (in millions):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 57	\$ 2	\$ -	\$ 59
Library, media, and museum collections	46	2	-	48
Construction in progress	180	163	(45)	298
Infrastructure	9	24	(1)	32
Total capital assets not being depreciated	<u>292</u>	<u>191</u>	<u>(46)</u>	<u>437</u>
Capital assets being depreciated:				
Buildings	879	46	-	925
Equipment	286	29	(10)	305
Infrastructure	668	2	(2)	668
Total Capital assets being depreciated	<u>1,833</u>	<u>77</u>	<u>(12)</u>	<u>1,898</u>
Less accumulated depreciation for:				
Buildings	(340)	(48)	-	(388)
Equipment	(151)	(24)	9	(166)
Infrastructure	(208)	(20)	-	(228)
Total accumulated depreciation	<u>(699)</u>	<u>(92)</u>	<u>9</u>	<u>(782)</u>
Total capital assets being depreciated, net	<u>1,134</u>	<u>(15)</u>	<u>(3)</u>	<u>1,116</u>
Capital assets, net	<u>\$ 1,426</u>	<u>\$ 176</u>	<u>\$ (49)</u>	<u>\$ 1,553</u>

Capital assets for the Alaska Industrial Development and Export Authority (\$84.6 million), which are included in the table above as infrastructure, are reported as investments in projects, partnerships, or corporations in the Statement of Net Assets. Also, University of Alaska art, library, and museum collections, which are capitalized but not depreciated, are reported in the statement of net assets as equipment. These assets are: held for public exhibition, education, or research rather than financial

gain; protected, kept unencumbered, cared for, and preserved; and proceeds from the sale of collection items are used to acquire other items for collections.

NOTE 6 – BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS

A. SUMMARY OF CHANGES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2003 (in thousands):

Governmental Activities	Beginning Balance (restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 232,863	\$ 231	\$ 8,495	\$ 224,599	\$ -
General obligation debt	-	501,245	1,704	499,541	6,814
Notes payable	18,728	-	13,995	4,733	1,317
Capital leases payable	261,280	57,521	46,328	272,473	33,959
Unearned & deferred revenue	86,414	165,357	72,466	179,305	169,652
Certificates of participation	16,000	-	-	16,000	-
Compensated Absences	108,424	104,727	99,127	114,024	114,024
Claims and judgements	81,933	34,252	32,277	83,908	29,332
Other noncurrent liabilities	3,318	3,004	2,999	3,323	2,980
Total	<u>\$ 808,960</u>	<u>\$ 866,337</u>	<u>\$ 277,391</u>	<u>\$ 1,397,906</u>	<u>\$ 358,078</u>

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue Bonds Payable	\$ 362,374	\$ -	\$ 5,864	\$ 356,510	\$ 6,580
Unearned & deferred revenue	3,829	58	-	3,887	3,887
Other noncurrent liabilities	25	5,453	5	5,473	5,319
Total	<u>\$ 366,228</u>	<u>\$ 5,511</u>	<u>\$ 5,869</u>	<u>\$ 365,870</u>	<u>\$ 15,786</u>

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

GENERAL OBLIGATION BONDS

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2003, 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>
2004	\$ -	\$ 19.4	\$ 19.4
2005	23.6	22.9	46.5
2006	24.1	21.5	45.6
2007	24.7	20.3	45.0
2008	25.4	19.0	44.4
2009-2013	141.0	73.8	214.8
2014-2018	119.4	38.6	158.0
2019-2023	86.3	13.3	99.6
2024	17.4	0.4	17.8
Total debt service requirements	461.9	<u>\$ 229.2</u>	<u>\$ 691.1</u>
Unamortized bond premium	37.6		
Total principal outstanding	<u>\$ 499.5</u>		

The legislature authorized the issuance of general obligation bonds within chapter 114, SLA 2002 and chapter 2, SSSLA 2002 for a total of \$463,524,941. As of the end of FY 2003, \$461,935,000 had been issued, leaving a remaining authorization of \$1,589,941.

NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ -	\$ 12.9	\$ 12.9
2005	-	12.9	12.9
2006	\$ -	\$ 12.9	\$ 12.9
2007	-	12.9	12.9
2008	6.2	12.9	19.1
2009-2013	45.1	50.1	95.2
2014-2018	47.5	23.2	70.7
2019-2023	42.9	16.7	59.6
2024-2028	58.8	9.5	68.3
2029-2031	26.4	1.4	27.8
Total debt service requirements	226.9	<u>165.4</u>	<u>392.3</u>
Unamortized bond discounts	(2.3)		
Total principal outstanding	<u>224.6</u>		

INTERNATIONAL AIRPORTS REVENUE BONDS

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

Year Ending June 30	Principal	Interest	Total
2004	\$ 6.6	\$ 18.4	\$ 25.0
2005	10.0	18.0	28.0
2006	10.5	17.6	28.1
2007	10.9	17.2	28.1
2008	11.8	16.6	28.4
2009-2013	65.8	74.0	139.8
2014-2018	79.5	54.5	134.0
2019-2023	93.6	31.9	125.5
2024-2028	73.2	7.6	80.8
Total debt service requirements	361.9	255.8	617.7
Unamortized bond issuance costs and discounts	(5.4)		
Total principal outstanding	\$ 356.5		

C. CAPITAL AND OPERATING LEASES

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

<u>Governmental Activities</u> Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2004	\$ 9.0	\$ 884.2	\$ 98.7	\$ 982.9
2005	7.0	480.6	29.2	509.8
2006	6.3	28.8	10.4	39.2
2007	6.2	25.0	8.9	33.9
2008	4.3	23.9	7.7	31.6
2009-2013	11.5	79.6	24.4	104.0
2014-2018	3.7	37.7	9.5	47.2
2019-2023	0.1	13.3	1.3	14.6
Total	\$ 48.1	\$ 1,573.1	\$ 190.1	\$ 1,763.2

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, 2003 (expressed in millions):

<u>Governmental Activities</u> Year Ending June 30	Certificates of Participation		
	Principal	Interest	Total
2004	\$ -	\$ 0.7	\$ 0.7
2005	1.0	0.7	1.7
2006	1.0	0.6	1.6
2007	1.0	0.6	1.6
2008	1.1	0.6	1.7
2009-2013	6.0	2.1	8.1
2014-2018	5.9	0.6	6.5
2019-2023	-	-	-
Total	\$ 16.0	\$ 5.9	\$ 21.9

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2004	\$ 155.9	\$ 213.1	\$ 369.0
2005	180.4	204.6	385.0
2006	164.9	196.2	361.1
2007	137.1	189.0	326.1
2008	120.7	182.8	303.5
2009-2013	674.8	817.8	1,492.6
2014-2018	654.1	681.5	1,335.6
2018-2023	711.3	513.7	1,225.0
2024-2028	561.5	366.4	927.9
2029-2033	512.0	228.9	740.9
2034-2038	396.8	126.4	523.2
2039-2043	94.2	32.2	126.4
2044-2048	56.4	13.2	69.6
2049-2053	12.3	0.6	12.9
2054-2058	-	-	-
Total debt service requirements	\$ 4,432.4	\$ 3,766.4	\$ 8,198.8
Unamortized discounts, unexpended bond proceeds, accreted interest, & deferred amount on refunding	(2.3)		
Total principal outstanding	\$ 4,430.1		

The preceding table does not include \$604,000 of Alaska Energy Authority arbitrage interest payable.

F. AHFC DERIVATIVES

SWAP OBJECTIVES

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

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2003, debt service requirements of the Corporation's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding	Outstanding	Swap	Total
	Variable-Rate	Variable-Rate		
	Debt	Debt	Net Payment	Payment
	Principal	Interest		
2004	\$ 3,360	\$ 4,294	\$ 13,859	\$ 21,513
2005	3,505	4,243	13,744	21,492
2006	3,640	4,214	13,623	21,477
2007	3,795	4,176	13,498	21,469
2008	4,640	4,142	13,364	22,146
2009-2013	36,030	19,789	64,058	119,877
2014-2018	72,920	16,889	54,889	144,698
2019-2023	91,280	12,750	41,485	145,515
2024-2028	86,560	7,964	25,850	120,374
2029-2033	66,895	3,730	12,095	82,720
2034-2037	36,430	819	2,668	39,917
Total	<u>\$ 409,055</u>	<u>\$ 83,010</u>	<u>\$ 269,133</u>	<u>\$ 761,198</u>

SIGNIFICANT TERMS

The terms, fair values and credit ratings of the Corporation's outstanding swaps as of June 30, 2003, are included in the following schedule (in thousands). The notional amounts of the swaps match the principal amounts of the associated debt. These notional amounts amortize over a time period that approximates the payments the Corporation would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	Termination Date	Counterparty Credit Rating ⁶
GP01A ¹	\$ 73,920	\$ (9,978)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A/A2
GP01B ¹	90,330	(12,295)	8/2/2001	4.1427%	67% of LIBOR ⁴	12/1/2030	A+/Aa3
E021A1 ²	50,000	(6,648)	5/16/2002	4.1030%	68% of LIBOR ⁴	6/1/2032	AAA/Aaa
E021A2 ²	120,000	(15,544)	5/16/2002	4.3430%	68% of LIBOR ⁴	12/1/2036	AAA/Aaa
SC02B ³	14,555	(946)	12/5/2002	3.7700%	70% of LIBOR ⁴	7/1/2024	AAA/Aaa
SC02C ³	60,250	(4,217)	12/5/2002	4.3030%	BMA ⁵ +0.115%	7/1/2022	AAA/Aaa
Total	<u>\$ 409,055</u>	<u>\$(49,628)</u>					

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate

⁵ The Bond Market Association Municipal Swap Index

⁶ Standard & Poors/Moodys

FAIR VALUE

Because interest rates have declined sharply since the agreements became effective, all of the Corporation's interest rate swaps had a negative fair value as of June 30, 2003. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on the Corporation's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from Mark to Market statements from the respective counterparties, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to)

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

RISKS

- ◆ **Credit Risk.** As of June 30, 2003, the Corporation was not exposed to credit risk on any of its outstanding swaps because they all had negative fair values. If interest rates rise and the fair values of the swaps become positive, the Corporation would be exposed to credit risk in the amount of the swap's fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall below specific levels. The Corporation currently has swap agreements with four separate counterparties. Approximately 60% of the notional amount of swaps outstanding is held with two separate counterparties, both of whom are rated AAA/Aaa. Of the remaining swaps, the Corporation holds one agreement with another counterparty, rated A+/Aa2, approximating 22% of the outstanding notional value, and one agreement with another counterparty, rated A/A2, approximating 18% of the outstanding notional value.
- ◆ **Basis Risk.** The Corporation's variable-rate bond coupon payments are based on the BMA index rate. Therefore, the Corporation is exposed to basis risk on the swaps where the variable payment received is based on a LIBOR index rather than a BMA index. As of June 30, 2003, the BMA rate was 0.98%, whereas LIBOR was 1.11375%. Since the spread between LIBOR and BMA has narrowed, the expected cost savings from the swaps, which is subject to future changes, may not be as large as originally anticipated.
- ◆ **Rollover Risk.** Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. The Corporation has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. As the swaps amortize, the bonds will be redeemed to match the remaining notional amounts. In addition, the swaps covering the 2001 Government Purpose Bonds cover only a portion of the debt issuance, allowing any increase in the speed of mortgage prepayments to be directed at the unswapped portion of the debt. The swap agreements associated with the 2002 Home Mortgage Revenue Bonds were structured around several tranches, allowing the Corporation to cancel individual tranches of the swap to match special redemptions of the bonds. The result of these swap structures is a decrease in rollover risk usually caused by rapid mortgage prepayments.
- ◆ **Termination Risk.** If any of the swaps are terminated, the associated floating rate bonds would no longer carry synthetic interest rates and, thus, would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. Furthermore, if any of the swaps have a negative fair value at termination, the Corporation would be liable to the counterparty for payments equal to the swaps' fair value. The Corporation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement. As of June 30, 2003, the Corporation is not exposed to any additional termination risk on its interest rate swap agreements.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

PERS is considered a component unit of the state financial reporting entity. PERS issues a separate stand-alone financial report that includes financial statements and required supplementary information. PERS is also reported as a pension (and

other employee benefit) trust fund by the state. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

At June 30, 2003, the number of participating employers was:

State of Alaska	1
Municipalities	78
School Districts	53
Other	28
Total employers	<u>160</u>

Current employee contribution rates are 6.75 percent of compensation (7.5 percent for peace officers and firefighters and 9.6 percent for some school district employees). The employee contributions are deducted before federal income tax is withheld. The PERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay both pension and postemployment health care benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2003, was 7.2 percent of compensation (7.1 for peace officers and firefighters).

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1999	\$3,064,962	\$2,902,304	\$(162,658)	105.6%	\$727,953	(22.3%)
2001	3,486,365	3,462,943	(23,422)	100.7%	781,286	(3.0%)
2002	2,864,058	3,854,165	990,107	74.3%	818,543	121.0%

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age sixty-five or older, regardless of initial hire dates. Employees first hired after June 30, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age sixty, and receive benefits at no premium cost if they are over age sixty or are receiving disability benefits. Police and fire employees with 25 years of membership service also receive benefits at no premium cost.

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

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1999	\$1,242,503	\$1,176,563	\$(65,940)	105.6%	\$727,953	(9.1%)
2001	1,476,115	1,466,201	(9,914)	100.7%	781,286	(1.3%)
2002	1,740,149	2,341,721	601,572	74.3%	818,543	73.5%

The state's annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2003, 2002, and 2001 were \$53.1, \$50.5, and \$53.4 million respectively. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

THE TEACHERS' RETIREMENT SYSTEM (TRS)

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

At June 30, 2003, the number of participating employers was:

State of Alaska	1
School Districts	53
Other	<u>3</u>
Total employers	<u><u>57</u></u>

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

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

Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld. Eligible employees contribute an additional 1 percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2003, was 11 percent of compensation.

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

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

The state's contributions to TRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$652,507, \$666,539, and \$641,569 respectively, equal to the required contributions for each year.

THE JUDICIAL RETIREMENT SYSTEM (JRS)

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

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

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

Members contribute 7 percent of their compensation to JRS. The contributions are deducted after federal income tax is withheld. Contributions are not required after members have made contributions for fifteen years, or from members first appointed before July 1, 1978. The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The employer rate for the State of Alaska for the year ended June 30, 2003, was 28.28 percent of compensation.

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

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

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

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

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

The annual required contributions for pension and postemployment healthcare benefits for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,746,251, \$1,005,968, and \$984,011. The state contributed 100 percent for each of those years resulting in no net pension obligation (NPO).

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

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

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

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

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

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

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

The annual required contributions for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,322,500, \$879,800, and \$879,800. The percentage contributed for each year was 100 percent.

THE ELECTED PUBLIC OFFICERS RETIREMENT SYSTEM (EPORS)

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

Plan members contribute 7 percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The FY 03 cost to the state for EPORS was \$1.4 million, and the contributions received from employees totaled \$30,683. No separate financial statement is issued for EPORS.

ASSET VALUATION

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

<u>Systems</u>	<u>Fair Value</u>
Public Employees' Retirement System	\$7,389,406
Teachers' Retirement System	3,599,113
Judicial Retirement System	63,508
Alaska National Guard and Alaska Naval Militia Retirement System	12,732

PLAN MEMBERSHIPS

The table below includes the plan membership counts. With the exception of EPORS, the counts are as of the actuarial valuation report date. The plan membership count for EPORS is based upon membership as of 6/30/03.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>
	<u>6/30/02</u>	<u>6/30/02</u>	<u>6/30/02</u>	<u>6/30/02</u>	<u>6/30/03</u>
Retirees & beneficiaries receiving benefits & terminated members with future benefits	22,917	8,587	82	1,143	37
Current active employees:					
Vested	18,659	5,224	43	*	4
Nonvested	14,583	4,466	13	3,538	-
Total	<u>56,159</u>	<u>18,277</u>	<u>138</u>	<u>4,681</u>	<u>41</u>

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

FUNDING STATUS AND PROGRESS

ACTUARIAL METHOD AND ASSUMPTIONS

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

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

The following main assumptions were used in the actuarial valuation.

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

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

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS' BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the state contributes an amount (set by union contract) for each employee. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$481.6 thousand in FY 03.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

SUPPLEMENTAL BENEFITS SYSTEM

In addition to the pension plans (Note 7) and deferred compensation plan (Note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide

benefits in lieu of those provided by the Federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the state had not withdrawn, participate in SBS. Other employers whose employees participate in the state Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2003, there were fifteen other employers participating in SBS. There were approximately 31,000 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The state is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The state's mandatory contributions for the year ending January 31, 2003, were \$95.1 million. The state's covered payroll was approximately \$775.4 million.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2003, were approximately \$4.6 million.

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

Benefits available under the Supplemental Benefits Plan include supplemental health, 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. The state maintains a separate self-insurance fund to provide for health benefits. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The state administers the dependent care reimbursement plan.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2003. The amounts credited to each participant account include the appreciation or depreciation in the unit values of the investment funds, in addition to participant contributions received during the year and deduction for administrative fees.

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

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The state assumes no liability for this pension plan or its participants other than the payment of required contributions. The state contributed \$638.2 thousand in FY 03.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan (Plan) was created by Alaska statutes. It is a deferred compensation plan under section 457 of the Internal Revenue Code and is available to all permanent employees or elected officials of the state (and with the April 1, 2003 amendment all long term non-permanent employees) who have completed a full pay period of employment. Participants authorize the state to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Codes. As of December 31, 2002, the Plan had approximately 7,700 participants.

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

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

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

Deferred compensation net assets as of December 31, 2002, were \$348.3 million. Deferred compensation is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund and component unit receivable and payable balances at June 30, 2003, and interfund transfers for the year then ended (in thousands):

RECEIVABLES

Fund or Component Unit	Interfund	Primary Government	Component Units	Total
Primary Government:				
General Fund	\$ 736,648	-	\$ 103,937	\$ 840,585
Alaska Permanent Fund	49,985	-	-	49,985
Nonmajor Governmental Funds	2,171	-	-	2,171
Internal Service Funds	4,588	-	1,113	5,701
International Airports	2	-	-	2
Nonmajor Enterprise Funds	284	-	-	284
Fiduciary Funds	4,046	-	-	4,046
Component Units:				
University of Alaska	-	7,032	4,987	12,019
Alaska Housing Finance Corporation	-	1,048	-	1,048
Nonmajor Component Units	-	435	199	634
Other*	366	2,527	9,526	12,419
Total	\$ 798,090	\$ 11,042	\$ 119,762	\$ 928,894

PAYABLES

Fund or Component Unit	Interfund	Primary Government	Component Units	Total
Primary Government:				
General Fund	\$ 56,528	\$ -	\$ 4,103	\$ 60,631
Alaska Permanent Fund	690,659	-	423	691,082
Nonmajor Governmental Funds	3,235	-	2,248	5,483
Internal Service Funds	603	-	-	603
International Airports	39,433	-	-	39,433
Nonmajor Enterprise Funds	1,300	-	-	1,300
Fiduciary Funds	1,297	-	-	1,297
Component Units:				
Alaska Housing Finance Corporation	-	7,868	-	7,868
Nonmajor Component Units	-	104,842	1,805	106,647
Other*	5,035	66	9,449	14,550
Total	\$ 798,090	\$ 112,776	\$ 18,028	\$ 928,894

INTERFUND TRANSFERS

Transferred From	Transferred To				Total
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ 2,522	\$ 600	\$ 1,711	\$ 4,833
Permanent Fund	690,659	-	-	-	690,659
Enterprise Funds	3,430	-	-	-	3,430
Int Svc Funds	4,289	-	-	-	4,289
Other	5,607	-	-	-	5,607
Total	<u>\$ 703,985</u>	<u>\$ 2,522</u>	<u>\$ 600</u>	<u>\$ 1,711</u>	<u>\$708,818</u>

* The "Other" category is a combination (net) of various items that are not consistently reported in the three classifications identified above. This inconsistency results from: (1) a difference in the basis of accounting such as College and Universities are not on the same basis as the general fund and enterprise funds, enterprise funds are on the full accrual accounting basis while the governmental funds are on the modified accrual basis; (2) timing differences due to differing fiscal year ends; and (3) some inconsistent classifications as a result of the nature of the operation.

NOTE 11 – SEGMENT INFORMATION - ENTERPRISE FUNDS

The State of Alaska International Airport System (a major enterprise fund) was created to equip, finance, maintain, and operate the two international airports located at Anchorage and Fairbanks, Alaska. The airports are under the administration of the Alaska Department of Transportation and Public Facilities. The following schedule presents summary financial information for the International Airport System for the fiscal year ended June 30, 2003 (stated in thousands).

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current assets	\$ 124,307
Restricted assets	218,600
Capital assets, net	575,856
Total assets	<u>918,763</u>
Liabilities:	
Current liabilities	21,860
Due to other funds	39,433
Noncurrent liabilities	350,064
Total liabilities	<u>411,357</u>
Net assets:	
Invested in capital assets, net of related debt	415,389
Restricted	12,581
Unrestricted	79,436
Total net assets	<u>\$ 507,406</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	
Airfield operations revenue	\$ 51,000
Other operating revenue	25,753
Depreciation expense	(21,733)
Other operating expense	(54,686)
Operating Income	334
Nonoperating revenues (expenses):	
Investment earnings	6,567
Interest expense	(1,473)
Other nonoperating revenue (expenses) - net	(5,299)
Capital contributions	42,135
Change in net assets	42,264
Beginning net assets	465,142
Ending net assets	\$ 507,406

CONDENSED STATEMENT OF CASH FLOWS	
Net cash provided (used) by:	
Operating activities	\$ 34,892
Capital and related financing activities	(96,818)
Investing activities	63,782
Net increase (decrease)	1,856
Beginning cash and cash equivalents	19,330
Ending cash and cash equivalents	\$ 21,186

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.

Accumulated sick leave may be used only for actual illness. When an employee separates from state service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee.

The estimated amount of unused accumulated sick leave as of June 30, 2003, is \$44 million. This amount was calculated using the base pay on file for each employee as of June 30, 2003. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary from 5 percent to 28 percent of gross pay depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

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

Although the statute provides that the state may reimburse school districts 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the state to make these payments. The amount for FY 03 expended for school debt was \$52.0 million, which was 100 percent of the entitlement. The total debt requirement assuming the state makes full payment of its share of school debt service would be approximately \$727.0 million. The state has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

C. RISK MANAGEMENT AND SELF-INSURANCE

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

Risk Management acts as the insurance carrier for each state agency, funding all sudden and accidental property and casualty claims. The annual premiums allocated by Risk Management are the maximum each agency is called upon to pay. This planning for known and catastrophic losses forestalls the need for the affected agency to seek 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 fewer public funds than would be paid to private insurance companies 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), large highway bridges, and hydroelectric power dams.

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

Additional specialty coverages 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. There has been no significant reduction in insurance coverage from previous years and the state has not incurred a loss in excess of its insurance program.

In FY 03, the state completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. We had Self-Insured Retention (SIR) levels of \$1 million for property and marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk, reaching up to \$250 million per occurrence for marine 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. Marketing is provided by independent brokers. The state obtains an annual independent actuarial assessment of the state insurance program as required by AS 37.05.287(b).

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

Risk Management's budget is funded entirely through interagency receipts annually billed 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, 2002 and June 30, 2003. 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 5 percent discount interest rate for FY 02 and a 3 percent discount interest rate for FY 03.

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2002	\$ 62,836,971	\$ 37,419,096	\$ (21,652,389)	\$ 78,603,678
2003	\$ 78,603,678	\$ 32,297,924	\$ (32,277,129)	\$ 78,624,473

D. LITIGATION

The state is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$5.3 million, with an additional possible liability of \$78.6 million. The probable loss amount has been reported as long-term debt obligations.

In October 2000, a complaint was filed in the Superior Court for the State of Alaska, Third Judicial District (Myers v. State of Alaska, Alaska Housing Finance Corporation and Northern Tobacco Securitization Corporation), seeking a declaratory judgment determining that the sale of the 2000 Tobacco Settlement Revenues (TSRs) by the state to AHFC or NTSC is a dedication of state funds for a special purpose, in violation of Section 7, Article IX of the Alaska Constitution. On October 30, 2000, Superior Court Judge Hensley ruled that such sale of the 2000 TSRs did not violate the Alaska Constitution. Plaintiff thereafter appealed to the Alaska Supreme Court.

On April 18, 2003 the Alaska Supreme Court rendered its decision. The court affirmed the superior court decision which was rendered on October 30, 2000. In affirming the superior court decision, the Alaska Supreme Court concluded that the securitization of the revenue stream of funds from the tobacco lawsuit settlement did not violate the anti-dedication provisions of the Alaska Constitution.

In March 2003, a major participating member (PM) was found liable of fraud in its marketing of “light” cigarettes, and plaintiffs in the class-action suit were awarded \$10.1 billion in damages in an Illinois court. Because there is no cap on bonding requirements for appeals in Illinois, the bond-posting requirement allowing the PM to seek an appeal of the trial court’s decision was set at \$12 billion. This requirement was later reduced to approximately \$6 billion on appeal to the Illinois Supreme Court. In its decision, the Illinois Supreme Court also agreed to hear the PM’s appeal of the original judgement.

The PM had previously stated that if the original \$12 billion bonding requirement was not reduced, it might not have been able to meet its obligations under the Master Settlement Agreement. Although the PM has prevailed in its attempt to reduce the bonding requirement, there is still the possibility of an adverse outcome on its appeal of the original judgment, with \$10.1 billion potentially due should such an appeal be unsuccessful. Arguments have not yet been heard by the Illinois Supreme Court.

Such litigation risk is not limited to a single PM. Other PMs face similar allegations in suits filed against them. Any adverse outcome in these suits could materially affect the ability of the PMs to meet their obligations under the Master Settlement Agreement.

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. DISCRETELY PRESENTED COMPONENT UNITS

At June 30, 2003, AIDEA had extended commitments for loans of \$14,466,000 and loan guarantees of \$1,566,000.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

The Alaska Municipal Bond Bank Authority issued four bond series subsequent to June 30, 2003.

1. Revenue Bonds, 2003 Series C in the face amount of \$1,015,000 with interest rates ranging from 2.00% to 3.00% over maturities of January 1, 2005 through January 1, 2009.
2. General Obligation Bonds, 2003 Series D in the face amount of \$15,065,000 with interest rates ranging from 4.00% to 6.00% over maturities of June 1, 2004 through June 1, 2023.
3. General Obligation Bonds, 2003 Series E in the face amount of \$32,020,000 with interest rates ranging from 2.00% to 5.25% over maturities of December 1, 2004 through December 1, 2028.
4. General Obligation Bonds, 2003 Series F in the face amount of \$3,320,000 with interest rates ranging from 2.00% to 3.5% over maturities of December 1, 2003 through December 1, 2011.

B. ALASKA STUDENT LOAN CORPORATION

On June 5, 2003, the Alaska Student Loan Corporation issued \$47,000,000 in education loan revenue bonds, of which \$15,885,000 was for the purpose of refunding the outstanding Series 1993A bonds at par. The refunding will occur on July 1, 2003.

C. INTERNATIONAL AIRPORTS FUND

Plans are in place to issue International Airport Revenue Bonds totaling \$76,600,000. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by gross revenues derived by the State of Alaska from the ownership, lease, use, and operation of the airports, and of all the facilities of them, and any other money that may be appropriated for the purpose, excepting only proceeds of any customer facility charge set by the commissioner of the Department of Transportation and Public Facilities.

D. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes totaling \$1,621,840 for fiscal year 2004. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

E. ALASKA DRINKING WATER FUND

Plans are in place to issue Series B Revenue Bond Anticipation Notes totaling \$1,021,158 for fiscal year 2004. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

F. CERTIFICATES OF PARTICIPATION

On August 19, 2003, the State of Alaska issued Certificates of Participation totaling \$14,145,000 for the purpose of financing a seafood and food safety laboratory facility to be operated by the Department of Environmental Conservation. Repayment of this debt is subject to annual appropriation by the legislature.

NOTE 14 – SPECIAL ITEMS

As a result of an Attorney General's Opinion dated April 3, 2003, the interest earned since August 11, 1993 on the intertie grant monies being held by AIDEA are subject to appropriation and should be returned to the general fund. The special item identified on the statement is interest income earned on those funds as of June 30, 2003 that was returned or expected to be returned by AIDEA in the near future. Potentially future interest income earned on these funds will be remitted to the general fund.

The Alaska Science and Technology Foundation (ASTF) was established in statute as a public corporation within the Department of Community and Economic Development. To provide support to ASTF and its programs, two endowment funds were established, the Alaska Science and Technology Endowment (ASTE) and the International Trade and Business Endowment (ITBE). During the 23rd Alaska Legislative Session, the balance as of June 30, 2003 of the ASTE was appropriated to the general fund (Chapter 82, SLA 2003). The financial impact of this legislative action for the ASTE liquidation is reflected in the financial statements as a special item.



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Required Supplementary Information



STATE OF ALASKA
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2003
 (Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 838,183	\$ 857,389	\$ 1,039,775	\$ (182,386)
Licenses and Permits	85,049	179,576	75,714	103,862
Charges for Services	441,264	698,915	459,342	239,573
Fines and Forfeitures	12,027	12,085	10,219	1,866
Rents and Royalties	584,977	582,710	835,233	(252,523)
Premiums and Contributions	295	295	10,015	(9,720)
Interest and Investment Income	50,852	51,375	213,035	(161,660)
Payments In from Component Units	34,759	34,759	34,759	0
Other Revenues	40,667	43,995	22,600	21,395
Restricted:				
Federal Grants in Aid	4,404,604	4,500,539	1,699,382	2,801,157
Interagency	445,732	681,522	421,242	260,280
Payments In from Component Units	136,589	136,671	45,969	90,702
Other Revenues	16,518	16,768	2,005	14,763
Total Revenues	7,091,516	7,796,599	4,869,290	2,927,309
EXPENDITURES				
Current:				
General Government	582,911	611,297	568,040	43,257
Alaska Permanent Fund Dividend	902,974	912,861	908,676	4,185
Education	1,080,520	1,088,545	1,063,475	25,070
University	236,070	236,086	220,421	15,665
Health and Human Services	2,022,649	2,076,855	1,840,305	236,550
Law and Justice	144,414	164,113	151,388	12,725
Public Protection	592,207	707,517	555,591	151,926
Natural Resources	384,977	410,376	269,774	140,602
Development	285,283	322,977	215,702	107,275
Transportation	3,084,723	3,238,388	1,280,448	1,957,940
Intergovernmental Revenue Sharing	68,952	69,455	67,477	1,978
Debt Service:				
Principal	10,798	10,798	9,612	1,186
Interest and Other Charges	3,274	3,274	3,274	0
Total Expenditures	9,399,752	9,852,542	7,154,183	2,698,359
Excess (Deficiency) of Revenues Over Expenditures	(2,308,236)	(2,055,943)	(2,284,893)	228,950
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	784,512	784,512	779,786	4,726
Transfers (Out to) Other Funds	(86,621)	(86,621)	(86,621)	0
Total Other Financing Sources and Uses	697,891	697,891	693,165	4,726
SPECIAL ITEMS				
Alaska Science and Technology Endowment Liquidation		97,706	97,706	0
Interest Earned on Grants Administered by AIDEA			29,707	(29,707)
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis	\$ (1,610,345)	\$ (1,260,346)	(1,464,315)	\$ 203,969
Reconciliation of Budgetary/ GAAP Reporting:				
Adjust Expenditures for Encumbrances			933,146	
Basis Difference			9,273	
Perspective Difference			(40,300)	
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses GAAP Basis			(562,196)	
Fund Balances - Beginning of Year			4,121,845	
Prior Period Adjustment			(9,572)	
Fund Balances - End of Year			\$ 3,550,077	

**Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2003**

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

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

The types of differences are as follows:

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

Petroleum severance taxes and royalties	\$	7,217
Medical Assistance Program		2,987
Working Reserve		(653)
Tobacco tax		(106)
Alcohol tax		(172)
Total general fund basis difference		9,273

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

Group Health and Life	\$	(38,765)
Alaska Public Building Fund		(1,548)
Federal receipts for PL 103-382 (Impact Aid)		13
Total general fund perspective difference		(40,300)



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Combining Fund Statements



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 3.01

	Permanent Fund		Special Revenue Funds
	Public School Trust Fund		
ASSETS			
Cash and Investments	\$ 279,419	\$	102,979
Accounts Receivable - Net	547		5,960
Interest and Dividends Receivable	485		
Due from Other Funds	1,079		1,092
Loans, Notes, and Bonds Receivable	59		
Other Assets			40
Total Assets	\$ 281,589	\$	110,071
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 21	\$	10,090
Due to Other Funds	677		2,169
Due to Component Units			
Unearned and Deferred Revenue	385		3
Other Liabilities	1		343
Total Liabilities	1,084		12,605
Fund Balances:			
Reserved:			
Encumbrances	43		18,479
Bonds			
Other Purposes	266,323		
Unreserved:			
Designated for Continuing Appropriations	556		15,993
Designated for Other			401
Undesignated	13,583		62,593
Total Fund Balances	280,505		97,466
Total Liabilities and Fund Balances	\$ 281,589	\$	110,071

STATEMENT 3.01

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$ 67,997	\$ 459,163	\$ 909,558
228		6,735
64		549
		2,171
		59
		40
<u>\$ 68,289</u>	<u>\$ 459,163</u>	<u>\$ 919,112</u>
\$ 916	\$	\$ 11,027
295	94	3,235
	2,248	2,248
		388
		344
<u>1,211</u>	<u>2,342</u>	<u>17,242</u>
67,078	18,215	36,737
		67,078
		266,323
	438,694	455,243
		401
	(88)	76,088
<u>67,078</u>	<u>456,821</u>	<u>901,870</u>
<u>\$ 68,289</u>	<u>\$ 459,163</u>	<u>\$ 919,112</u>

STATE OF ALASKA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 3.02

	Permanent Fund Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	\$	\$ 30,646
Licenses and Permits		25,100
Charges for Services		340
Fines and Forfeitures	8	250
Rents and Royalties	6,216	34,556
Premiums and Contributions		19,794
Interest and Investment Income	10,235	1,665
Net Increase (Decrease) in the Fair Value of Investments	7,285	
Federal Grants in Aid		20,137
Nonfederal Grants and Contracts		40
Other Revenues		141
Total Revenues	23,744	132,669
EXPENDITURES		
Current:		
General Government	66	1,627
Education	12,479	31,597
University		
Health and Human Services		4,505
Law and Justice	43	
Public Protection		171
Natural Resources	25	63,643
Development		9,098
Transportation		
Debt Service:		
Principal		
Interest and Other Charges		
Total Expenditures	12,613	110,641
Excess (Deficiency) of Revenues Over Expenditures	11,131	22,028
OTHER FINANCING SOURCES (USES)		
Bonds Issued		
Bond Issue Premium		
Transfers In from Other Funds		2,522
Total Other Financing Sources and Uses	0	2,522
Net Change in Fund Balances	11,131	24,550
Fund Balances - Beginning of Year	269,374	72,897
Prior Period Adjustment		19
Fund Balances - End of Year	\$ 280,505	\$ 97,466

STATEMENT 3.02

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
\$	\$	\$
		30,646
		25,100
		340
		258
		40,772
		19,794
1,793	1,502	15,195
32		7,317
		20,137
		40
20,044		20,185
<u>21,869</u>	<u>1,502</u>	<u>179,784</u>
		1,693
		44,076
	6,385	6,385
		4,505
		43
		171
		63,668
		9,098
	231	231
8,495		8,495
15,058		15,058
<u>23,553</u>	<u>6,616</u>	<u>153,423</u>
(1,684)	(5,114)	26,361
	461,935	461,935
39,310		39,310
		2,522
39,310	461,935	503,767
37,626	456,821	530,128
29,452	0	371,723
		19
<u>\$ 67,078</u>	<u>\$ 456,821</u>	<u>\$ 901,870</u>



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General Fund

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

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

- Alaska Children's Trust Fund (34050) – AS 37.14.200 – Administered by the Department of Health and Social Services, and the Alaska Children's Trust Board established in the Office of the Governor. The income from this endowment is used to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.
- Alaska Debt Retirement Fund (11138) – AS 37.15.011 – The fund consists of all money appropriated to it. The fund was established to help meet the general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- Alaska Historical Commission Receipts Account (11111) – AS 41.35.380 – Administered by 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 (12135) – AS 19.65.060 – Administered by 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 (11137) – AS 37.05.550 – Managed by Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.
- Alaska Technical and Vocational Education Program Fund (11166) – AS 23.15.830 – Administered by Department of Labor and Workforce Development. The account consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the account to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the account to the unemployment compensation fund established in AS 23.20.130.
- Alaska Transportation Infrastructure Bank (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 (36010) – AS 37.14.700(a) – Administered by the Department of Military and Veterans' Affairs to maintain and develop veteran memorials or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- Alcohol and Other Drug Abuse Treatment and Prevention Fund (11178) – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- Art in Public Places Fund (11124) – AS 44.27.060 – Administered by 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 (11154) – AS 23.15.125 – Administered by Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the

fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.

- Budget Reserve Fund (33045) – AS 37.05.540(a) – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the state that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit, may be appropriated to the budget reserve fund.
- Building Safety Account (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 legislation may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 - 18.60.395, 18.60.800 - 18.60.620, and AS 18.62 relating to building safety and certificates of fitness.
- Commercial Passenger Vessel Environmental Compliance Fund (11174) – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department’s operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department’s operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.
- Constitutional Budget Reserve Fund (33041) – Alaska Constitution, article IX, section 17; AS 37.13 – Administered by the Department of Revenue. All money received by the state as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- Disaster Relief Fund (12125) – AS 26.23.300 – Administered by Office of the Governor and 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 (11120) – USC 7 CFR, Part 250 – Administered by 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 (11142) – AS 37.05.560 – Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.
- Election Fund (11179) – Federal H.R. 3295, “The Help American 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 (11134) – AS 23.15.625 – Administered by 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 (11161) – AS 44.33.115 – Administered by Department of Community and Economic Development. The department may use the fund to make grants to unincorporated rural communities in the area affected by the Exxon Valdez oil spill for capital projects for purposes of restoring, replacing, or enhancing subsistence resources or services or other services damaged or lost as a result of the Exxon Valdez oil spill.
- FHWA - Airspace Leases Fund (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 (11110) – AS 39.30.050 – Administered by 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 (11180) – P.L. 108-7, SEC 2, Division N, Title V – Fisheries Disasters, Sec. 501(a). Administered by the Office of the Governor. \$35,000,000.00 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities, which have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.
- Fuel Emergency Fund (11125) – AS 26.23.400 – Administered by 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 (11145) – AS 14.03.125 – Administered by 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 (11144) – AS 14.11.007 – Administered by 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 (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 (11146) – AS 37.06.010 – Administered by Department of Administration. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- Oil and Hazardous Substance Release Prevention Mitigation Account (11139) – AS 46.08.020(b) – Administered by 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 (11153) – AS 46.08.025(b) – Administered by 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.
- Oil and Hazardous Substance Release Prevention and Response Fund (11128) – AS 46.08.010 – Administered by 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.
- Permanent Fund Dividend Fund (33020) – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- Railbelt Energy Fund (11123) – AS 37.05.520 – Managed by 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 (11118) – AS 23.15.130, 20 USC 107-107(f) – Administered by Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- Real Estate Surety Fund (11121) – AS 08.88.450 – Administered by Department of Community and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the

fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.

- School Construction Grant Fund (11143) – AS 14.11.005 – Administered by 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 (11162) – Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for the sales of 21 parcels of public school trust land the status of which is in litigation.
- State Insurance Catastrophe Reserve Account (11133) – AS 37.05.289 – Administered by 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 judgements arising under the program.
- State Land Disposal Income Fund (11164) – AS 38.04.022(a) – Administered by Department of Natural Resources. The fund consists of revenue from the state land disposal program.
- State Land Reforestation Fund (12130) – AS 41.17.300 – Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation, seed and seedling acquisition and cultivation, planting, and other reforestation measures, timber stand improvement, and the development of materials and techniques for the reforestation of state land.
- Storage Tank Assistance Fund (11136) – AS 46.03.410 – Administered by Department of Environmental Conservation. The fund consists of money appropriated to it by the legislature. The receipts of the fund may be used for certain costs as defined in AS 46.03.410(a) relating to underground petroleum storage tank systems and for grants and loans.
- Surplus Property Revolving Fund (11112) – AS 37.05.500(a)(2), AS 44.68.130 – Administered by 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 (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 (11163) – Federal Public Law 101-380, sec. 8102(a)(B)(I) – The federal government has rebated the pro rata share of the federal TAPS (Trans-Alaska Pipeline Liability Fund) to the State of Alaska for its contributions as an owner of oil. The funds are to be used for the remediation of above-ground storage tanks.
- Training and Building Fund (12121) – AS 23.20.130(d) – Administered by Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available; participation in programs of manpower training; and acquisition of land and buildings for the purpose of providing office space for the department.
- Unincorporated Community Capital Project Matching Grant Fund (11147) – AS 37.06.020 – Administered by Department of Community and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- Vocational Rehabilitation Small Business Enterprise Revolving Fund (11116) – AS 23.15.130 – Administered by Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- Workers' Safety and Compensation Administration Account (11173) – AS 23.05.067 – Administered by Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the state for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.



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STATE OF ALASKA
Combining Balance Sheet
General Fund
June 30, 2003
(Stated in Thousands)

STATEMENT 3.11

	Constitutional Budget Reserve Subfund	General Fund Permanent Fund Dividend Subfund
ASSETS		
Cash and Investments	\$ 2,092,417	\$ 12,942
Accounts Receivable - Net		37
Interest and Dividends Receivable		
Due from Other Funds	5,201,692	691,660
Due from Component Units		
Due from Other Governments		
Loans, Notes, and Bonds Receivable		
Inventories		
Other Assets		
Total Assets	\$ 7,294,109	\$ 704,639
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 38	\$ 3,852
Due to Other Funds	87,578	2,128
Due to Component Units		
Due to Other Governments		
Unearned and Deferred Revenue		
Other Liabilities		4
Total Liabilities	87,616	5,984
Fund Balances:		
Reserved:		
Encumbrances		291
Nonliquid Assets	5,112,937	
Other Purposes		
Unreserved:		
Designated for Continuing Appropriations		423
Designated for Other		697,941
Undesignated	2,093,556	
Total Fund Balances	7,206,493	698,655
Total Liabilities and Fund Balances	\$ 7,294,109	\$ 704,639

STATEMENT 3.11

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 720,798	\$	\$ 2,826,157
180,701		180,738
2,054		2,054
135,752	(5,292,456)	736,648
103,937		103,937
382,050		382,050
15,804		15,804
11,916		11,916
17,874		17,874
<u>\$ 1,570,886</u>	<u>\$ (5,292,456)</u>	<u>\$ 4,277,178</u>
\$ 428,098	\$	\$ 431,988
5,259,278	(5,292,456)	56,528
4,103		4,103
332		332
231,166		231,166
2,980		2,984
<u>5,925,957</u>	<u>(5,292,456)</u>	<u>727,101</u>
212,255		212,546
48,803		5,161,740
26,672		26,672
257,349		257,772
265,035		962,976
(5,165,185)		(3,071,629)
<u>(4,355,071)</u>	<u>0</u>	<u>3,550,077</u>
<u>\$ 1,570,886</u>	<u>\$ (5,292,456)</u>	<u>\$ 4,277,178</u>

STATE OF ALASKA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 3.12

	Constitutional Budget Reserve Subfund	General Fund Permanent Fund Dividend Subfund
REVENUES		
Taxes	\$ 11,455	\$
Licenses and Permits		
Charges for Services		269
Fines and Forfeitures	75	18
Rents and Royalties	530	
Premiums and Contributions		
Interest and Investment Income	154,759	
Federal Grants in Aid		408
Payments In from Component Units		
Other Revenues		185
Total Revenues	166,819	880
EXPENDITURES		
Current:		
General Government	121	6,022
Alaska Permanent Fund Dividend		908,676
Education		
University		
Health and Human Services		12,333
Law and Justice		
Public Protection		9,436
Natural Resources		
Development		
Transportation		
Intergovernmental Revenue Sharing		
Debt Service:		
Principal		
Interest and Other Charges		
Total Expenditures	121	936,467
Excess (Deficiency) of Revenues Over Expenditures	166,698	(935,587)
OTHER FINANCING SOURCES (USES)		
Transfers In from Other Funds	121	690,659
Transfers (Out to) Other Funds		
Total Other Financing Sources and Uses	121	690,659
SPECIAL ITEMS		
Alaska Science and Technology Endowment Liquidation		
Interest Earned on Grants Administered by AIDEA		
Net Change in Fund Balances	166,819	(244,928)
Fund Balances - Beginning of Year	7,039,674	943,583
Prior Period Adjustment		
Fund Balances - End of Year	\$ 7,206,493	\$ 698,655

STATEMENT 3.12

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
\$ 1,020,685	\$	\$ 1,032,140
75,714		75,714
166,896		167,165
10,126		10,219
847,758		848,288
10,015		10,015
47,973		202,732
1,748,599		1,749,007
80,728		80,728
17,439		17,624
4,025,933	0	4,193,632
234,135		240,278
946,308		908,676
220,409		946,308
220,409		220,409
1,554,187		1,566,520
131,316		131,316
449,714		459,150
157,420		157,420
136,144		136,144
737,537		737,537
65,743		65,743
9,612		9,612
3,274		3,274
4,645,799	0	5,582,387
(619,866)	0	(1,388,755)
13,326	(121)	703,985
(4,960)	121	(4,839)
8,366	0	699,146
97,706		97,706
29,707		29,707
(484,087)	0	(562,196)
(3,861,412)		4,121,845
(9,572)		(9,572)
\$ (4,355,071)	\$ 0	\$ 3,550,077



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Permanent Funds

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



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

Permanent Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	\$ 8	\$ 8	\$ 0
Rents and Royalties	6,216	6,216	0
Interest and Investment Income	10,235	10,235	0
Net Increase (Decrease) in the Fair Value of Investments	7,285	7,285	0
Total Revenues	<u>23,744</u>	<u>23,744</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government	164	66	98
Education	12,479	12,479	0
Law and Justice	43	43	0
Natural Resources	625	68	557
Total Expenditures	<u>13,311</u>	<u>12,656</u>	<u>655</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>10,433</u>	<u>11,088</u>	<u>(655)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (Out to) Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, Budgetary Basis	<u>\$ 10,433</u>	11,088	<u>\$ (655)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		43	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, GAAP Basis		11,131	
Fund Balances - Beginning of Year		269,374	
Fund Balances - End of Year		<u>\$ 280,505</u>	

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 397,642	\$ 397,642	\$ 0	\$ 8	\$ 8	\$ 0
859,850	859,850	0	403,858	403,858	0
			870,085	870,085	0
<u>138,921</u>	<u>138,921</u>	<u>0</u>	<u>146,206</u>	<u>146,206</u>	<u>0</u>
<u>1,396,413</u>	<u>1,396,413</u>	<u>0</u>	<u>1,420,157</u>	<u>1,420,157</u>	<u>0</u>
50,951	36,633	14,318	51,115	36,699	14,416
			12,479	12,479	0
			43	43	0
			625	68	557
<u>50,951</u>	<u>36,633</u>	<u>14,318</u>	<u>64,262</u>	<u>49,289</u>	<u>14,973</u>
<u>1,345,462</u>	<u>1,359,780</u>	<u>(14,318)</u>	<u>1,355,895</u>	<u>1,370,868</u>	<u>(14,973)</u>
(690,659)	(690,659)	0	(690,659)	(690,659)	0
(690,659)	(690,659)	0	(690,659)	(690,659)	0
<u>\$ 654,803</u>	<u>669,121</u>	<u>\$ (14,318)</u>	<u>\$ 665,236</u>	<u>680,209</u>	<u>\$ (14,973)</u>
				<u>43</u>	
	669,121			680,252	
	<u>23,525,213</u>			<u>23,794,587</u>	
	<u>\$ 24,194,334</u>			<u>\$ 24,474,839</u>	



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Nonmajor Special Revenue Funds

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

- Alyeska Settlement Trust Fund (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 (12133) – AS 46.14.260 and Federal Clean Air Act – Administered by Department of Environmental Conservation. The fund is established to collect and account for permit fees under the federal clean air act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- Exxon Valdez Oil Spill Restoration Fund (12136) – U.S. District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in \$50 million restitution being received by the state to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.
- Exxon Valdez Settlement Trust Fund (33070) – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish & Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the state for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.
- Fish and Game Fund (12122) – AS 16.05.100 – Administered by Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game purposes; and donations. In addition to the statutory revenues, federal revenues, crewmember license fees, and other sources are appropriated to the fund for purposes related to fish and wildlife.
- Fishermen's Fund (11119) – AS 23.35.060 – Administered by Department of Labor and Workforce Development. This fund is composed of 39 percent of the money derived by the state from all commercial fishermen's licenses and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of commercial fishermen.
- National Petroleum Reserve Fund (12131) – AS 37.05.530 – Administered by Department of Community and Economic Development. This fund consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 since December 12, 1980, less the amount deposited in the general fund and expended by the State by general fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- Northern Tobacco Securitization Corporation (NTSC) Fund (21664) – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (AHFC). The purpose of this fund is to purchase Tobacco Settlement Revenues

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

- Reclamation Bonding Pool Fund (12132) – AS 27.19.040 – Administered by Department of Natural Resources. A miner is required to have an approved reclamation plan and to file a performance bond before mining operations may commence. This fund is established as a statewide bonding pool as an alternative to individual performance bonds.
- School Fund (12123) – AS 43.50.140 – Administered by Department of Revenue and Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the state's school facilities, and for costs of insurance on buildings comprising school facilities.
- Second Injury Fund (11117) – AS 23.30.040 – Administered by Department of Labor and Workforce Development. The second injury fund consists of all amounts collected under AS 23.30.040(b) and (c), and as civil penalties under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the Second Injury Fund under AS 23.30.





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STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve
ASSETS					
Cash and Investments	\$ 3,048	\$ 11,637	\$ 9,955	\$ 7,371	\$ 50,440
Accounts Receivable - Net	9		3,330	2,620	
Due from Other Funds		271	813		
Other Assets			39		
Total Assets	<u>\$ 3,057</u>	<u>\$ 11,908</u>	<u>\$ 14,137</u>	<u>\$ 9,991</u>	<u>\$ 50,440</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 329	\$ 98	\$ 2,383	\$ 5,799	\$ 1,234
Due to Other Funds	49		1,956		
Unearned and Deferred Revenue			3		
Other Liabilities					
Total Liabilities	<u>378</u>	<u>98</u>	<u>4,342</u>	<u>5,799</u>	<u>1,234</u>
Fund Balances:					
Reserved:					
Encumbrances	3	65	843		13,800
Unreserved:					
Designated for Continuing Appropriations			2,612		849
Designated for Other					
Undesignated	2,676	11,745	6,340	4,192	34,557
Total Fund Balances	<u>2,679</u>	<u>11,810</u>	<u>9,795</u>	<u>4,192</u>	<u>49,206</u>
Total Liabilities and Fund Balances	<u>\$ 3,057</u>	<u>\$ 11,908</u>	<u>\$ 14,137</u>	<u>\$ 9,991</u>	<u>\$ 50,440</u>

STATEMENT 3.31

Reclamation Bonding Pool	Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Total Nonmajor Special Revenue Funds
\$ 1,059	\$ 279	\$ 4,310	\$ 7,976	\$ 6,503	\$ 401	\$ 102,979
		2	6	1		5,960
	1					1,092
						40
<u>\$ 1,059</u>	<u>\$ 280</u>	<u>\$ 4,312</u>	<u>\$ 7,982</u>	<u>\$ 6,504</u>	<u>\$ 401</u>	<u>\$ 110,071</u>
\$ 1	\$ 7	\$ 16	\$	\$ 223	\$	\$ 10,090
	88	28		48		2,169
343						3
<u>344</u>	<u>95</u>	<u>44</u>	<u>0</u>	<u>271</u>	<u>0</u>	<u>12,605</u>
	30	495	201	3,042		18,479
		3,379	6,684	2,469		15,993
715	155	394	1,097	722	401	401
<u>715</u>	<u>185</u>	<u>4,268</u>	<u>7,982</u>	<u>6,233</u>	<u>401</u>	<u>62,593</u>
<u>\$ 1,059</u>	<u>\$ 280</u>	<u>\$ 4,312</u>	<u>\$ 7,982</u>	<u>\$ 6,504</u>	<u>\$ 401</u>	<u>\$ 97,466</u>
						<u>\$ 110,071</u>

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2003

(Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve
REVENUES					
Taxes	\$	\$	\$	\$ 30,646	\$
Licenses and Permits		984	21,758		
Charges for Services			295		
Fines and Forfeitures	125		125		
Rents and Royalties					34,556
Premiums and Contributions	4,137				
Interest and Investment Income			644		
Federal Grants in Aid			20,137		
Nonfederal Grants and Contracts			40		
Other Revenues			140		
Total Revenues	<u>4,262</u>	<u>984</u>	<u>43,139</u>	<u>30,646</u>	<u>34,556</u>
EXPENDITURES					
Current:					
General Government			1,270	122	
Education				31,597	
Health and Human Services	3,173	891			225
Public Protection					
Natural Resources			45,081		
Development					9,078
Total Expenditures	<u>3,173</u>	<u>891</u>	<u>46,351</u>	<u>31,719</u>	<u>9,303</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,089</u>	<u>93</u>	<u>(3,212)</u>	<u>(1,073)</u>	<u>25,253</u>
OTHER FINANCING SOURCES (USES)					
Transfers In from Other Funds			2,522		
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>2,522</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	1,089	93	(690)	(1,073)	25,253
Fund Balances - Beginning of Year	1,590	11,717	10,466	5,265	23,953
Prior Period Adjustment			19		
Fund Balances - End of Year	<u>\$ 2,679</u>	<u>\$ 11,810</u>	<u>\$ 9,795</u>	<u>\$ 4,192</u>	<u>\$ 49,206</u>

STATEMENT 3.32

Reclamation Bonding Pool	Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Total Nonmajor Special Revenue Funds
\$	\$	\$	\$	\$	\$	\$
	2,358					30,646
45						25,100
						340
						250
						34,556
				15,657		19,794
		219	376	426		1,665
						20,137
						40
	1					141
45	2,359	219	376	16,083	0	132,669
	98			31	106	1,627
						31,597
		87		129		4,505
		171				171
	2,358	267		15,937		63,643
		20				9,098
0	2,456	545	0	16,097	106	110,641
45	(97)	(326)	376	(14)	(106)	22,028
						2,522
0	0	0	0	0	0	2,522
45	(97)	(326)	376	(14)	(106)	24,550
670	282	4,594	7,606	6,247	507	72,897
						19
\$ 715	\$ 185	\$ 4,268	\$ 7,982	\$ 6,233	\$ 401	\$ 97,466

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Second Injury		Variance with Budget
	Budget	Actual	
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures	125	125	0
Rents and Royalties			
Premiums and Contributions	4,137	4,137	0
Interest and Investment Income			
Other Revenues			
Restricted:			
Federal Grants in Aid			
Nonfederal Grants and Contracts			
Interagency			
Total Revenues	<u>4,262</u>	<u>4,262</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services	3,178	3,175	3
Public Protection			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>3,178</u>	<u>3,175</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,084</u>	<u>1,087</u>	<u>(3)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, Budgetary Basis	<u>\$ 1,084</u>	1,087	<u>\$ (3)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		2	
Funds Not Annually Budgeted Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, GAAP Basis		1,089	
Fund Balances - Beginning of Year		1,590	
Prior Period Adjustment			
Fund Balances - End of Year		<u>\$ 2,679</u>	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 984	\$ 984	\$ 0	\$ 21,758	\$ 21,758	\$ 0
			295	295	0
			125	125	0
			644	644	0
			140	140	0
			22,059	20,137	1,922
			0	40	(40)
			450	245	205
<u>984</u>	<u>984</u>	<u>0</u>	<u>45,471</u>	<u>43,384</u>	<u>2,087</u>
			1,270	1,270	0
1,312	956	356	55,882	47,309	8,573
<u>1,312</u>	<u>956</u>	<u>356</u>	<u>57,152</u>	<u>48,579</u>	<u>8,573</u>
<u>(328)</u>	<u>28</u>	<u>(356)</u>	<u>(11,681)</u>	<u>(5,195)</u>	<u>(6,486)</u>
			2,522	2,522	0
0	0	0	2,522	2,522	0
<u>\$ (328)</u>	<u>28</u>	<u>\$ (356)</u>	<u>\$ (9,159)</u>	<u>(2,673)</u>	<u>\$ (6,486)</u>
	65			1,983	
	93			(690)	
	11,717			10,466	
	<u>\$ 11,810</u>			<u>19</u>	
				<u>\$ 9,795</u>	

This statement continued on the next page.

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	School		Variance with Budget
	Budget	Actual	
REVENUES			
Unrestricted:			
Taxes	\$ 31,023	\$ 31,023	\$ 0
Licenses and Permits			
Charges for Services			
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income			
Other Revenues			
Restricted:			
Federal Grants in Aid			
Nonfederal Grants and Contracts			
Interagency			
Total Revenues	<u>31,023</u>	<u>31,023</u>	<u>0</u>
EXPENDITURES			
Current:			
General Government	122	122	0
Education	31,600	31,597	3
Health and Human Services			
Public Protection			
Natural Resources			
Development			
Transportation			
Total Expenditures	<u>31,722</u>	<u>31,719</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(699)</u>	<u>(696)</u>	<u>(3)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, Budgetary Basis	<u>\$ (699)</u>	<u>(696)</u>	<u>\$ (3)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances			
Funds Not Annually Budgeted Basis Difference		<u>(377)</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, GAAP Basis		<u>(1,073)</u>	
Fund Balances - Beginning of Year		5,265	
Prior Period Adjustment			
Fund Balances - End of Year		<u>\$ 4,192</u>	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			2,358	2,358	0
34,556	34,556	0			
			1	1	0
<u>34,556</u>	<u>34,556</u>	<u>0</u>	<u>2,359</u>	<u>2,359</u>	<u>0</u>
			98	98	0
1,686	1,336	350			
			2,858	2,388	470
22,266	21,767	499			
<u>23,952</u>	<u>23,103</u>	<u>849</u>	<u>2,956</u>	<u>2,486</u>	<u>470</u>
<u>10,604</u>	<u>11,453</u>	<u>(849)</u>	<u>(597)</u>	<u>(127)</u>	<u>(470)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ 10,604</u>	11,453	<u>\$ (849)</u>	<u>\$ (597)</u>	(127)	<u>\$ (470)</u>
	13,800			30	
	25,253			(97)	
	23,953			282	
	<u>\$ 49,206</u>			<u>\$ 185</u>	

This statement continued on the next page.

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Exxon Valdez Oil Spill Restoration		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	\$	\$	\$
Licenses and Permits			
Charges for Services			
Fines and Forfeitures			
Rents and Royalties			
Premiums and Contributions			
Interest and Investment Income	219	219	0
Other Revenues			
Restricted:			
Federal Grants in Aid			
Nonfederal Grants and Contracts			
Interagency			
Total Revenues	219	219	0
EXPENDITURES			
Current:			
General Government			
Education			
Health and Human Services	580	492	88
Public Protection	171	171	0
Natural Resources	668	357	311
Development	370	20	350
Transportation	2,653	0	2,653
Total Expenditures	4,442	1,040	3,402
Excess (Deficiency) of Revenues Over Expenditures	(4,223)	(821)	(3,402)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds			
Total Other Financing Sources and Uses	0	0	0
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, Budgetary Basis	\$ (4,223)	(821)	\$ (3,402)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		495	
Funds Not Annually Budgeted			
Basis Difference			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources, GAAP Basis		(326)	
Fund Balances - Beginning of Year		4,594	
Prior Period Adjustment			
Fund Balances - End of Year		\$ 4,268	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$	\$	\$	\$	\$	\$
			15,657	15,657	0
376	376	0	426	426	0
<u>376</u>	<u>376</u>	<u>0</u>	<u>16,083</u>	<u>16,083</u>	<u>0</u>
			53	31	22
			2,208	1,574	634
			22,011	17,748	4,263
6,885	201	6,684			
<u>6,885</u>	<u>201</u>	<u>6,684</u>	<u>24,272</u>	<u>19,353</u>	<u>4,919</u>
(6,509)	175	(6,684)	(8,189)	(3,270)	(4,919)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (6,509)</u>	175	<u>\$ (6,684)</u>	<u>\$ (8,189)</u>	(3,270)	<u>\$ (4,919)</u>
	201			3,256	
	376			(14)	
	7,606			6,247	
	<u>\$ 7,982</u>			<u>\$ 6,233</u>	

This statement continued on the next page.

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Funds Not Annually Budgeted	
	Northern Tobacco Securitization Corporation	Reclamation Bonding Pool
	Actual	Actual
REVENUES		
Unrestricted:		
Taxes	\$	\$
Licenses and Permits		
Charges for Services		
Fines and Forfeitures		
Rents and Royalties		
Premiums and Contributions		
Interest and Investment Income		
Other Revenues		
Restricted:		
Federal Grants in Aid		
Nonfederal Grants and Contracts		
Interagency		
Total Revenues	0	0
EXPENDITURES		
Current:		
General Government		
Education		
Health and Human Services		
Public Protection		
Natural Resources		
Development		
Transportation		
Total Expenditures	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0
OTHER FINANCING SOURCES (USES)		
Transfers In from Other Funds		
Total Other Financing Sources and Uses	0	0
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, Budgetary Basis	0	0
RECONCILIATION OF BUDGETARY/ GAAP REPORTING		
Adjust Expenditures for Encumbrances		
Funds Not Annually Budgeted Basis Difference	(106)	45
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources, GAAP Basis	(106)	45
Fund Balances - Beginning of Year	507	670
Prior Period Adjustment		
Fund Balances - End of Year	\$ 401	\$ 715

STATEMENT 3.33

Total Special Revenue Funds			
Budget	Actual	Variance with Budget	
\$ 31,023	\$ 31,023	\$	0
25,100	25,100		0
295	295		0
250	250		0
34,556	34,556		0
19,794	19,794		0
1,665	1,665		0
141	141		0
22,059	20,137		1,922
	40		(40)
450	245		205
<u>135,333</u>	<u>133,246</u>		<u>2,087</u>
1,543	1,521		22
31,600	31,597		3
8,964	7,533		1,431
171	171		0
81,419	67,802		13,617
22,636	21,787		849
9,538	201		9,337
<u>155,871</u>	<u>130,612</u>		<u>25,259</u>
<u>(20,538)</u>	<u>2,634</u>		<u>(23,172)</u>
2,522	2,522		0
2,522	2,522		0
<u>\$ (18,016)</u>	5,156	<u>\$</u>	<u>(23,172)</u>
	19,832		
	(61)		
	<u>(377)</u>		
	24,550		
	72,897		
	19		
	<u>\$ 97,466</u>		



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Nonmajor Debt Service Funds

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

- General Obligation Bond Redemption 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 (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, 2003
 (Stated in Thousands)

STATEMENT 3.41

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Investments	\$ 39,211	\$ 28,786	\$ 67,997
Accounts Receivable - Net		228	228
Interest and Dividends Receivable		64	64
Total Assets	\$ 39,211	\$ 29,078	\$ 68,289
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 916	\$	\$ 916
Due to Other Funds	295		295
Total Liabilities	1,211	0	1,211
Fund Balances:			
Reserved:			
Bonds	38,000	29,078	67,078
Total Fund Balances	38,000	29,078	67,078
Total Liabilities and Fund Balances	\$ 39,211	\$ 29,078	\$ 68,289

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

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Total Nonmajor Debt Service Funds
REVENUES			
Interest and Investment Income	\$ 402	\$ 1,391	\$ 1,793
Net Increase (Decrease) in the Fair Value of Investments		32	32
Other Revenues		20,044	20,044
Total Revenues	<u>402</u>	<u>21,467</u>	<u>21,869</u>
EXPENDITURES			
Debt Service:			
Principal		8,495	8,495
Interest and Other Charges	1,712	13,346	15,058
Total Expenditures	<u>1,712</u>	<u>21,841</u>	<u>23,553</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,310)</u>	<u>(374)</u>	<u>(1,684)</u>
OTHER FINANCING SOURCES (USES)			
Bond Issue Premium	39,310		39,310
Total Other Financing Sources and Uses	<u>39,310</u>	<u>0</u>	<u>39,310</u>
Net Change in Fund Balances	<u>38,000</u>	<u>(374)</u>	<u>37,626</u>
Fund Balances - Beginning of Year		29,452	29,452
Fund Balances - End of Year	<u>\$ 38,000</u>	<u>\$ 29,078</u>	<u>\$ 67,078</u>



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Nonmajor Capital Projects Funds

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



STATE OF ALASKA
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 3.51

	Accelerated Alaska Transportation Projects	Transportation Project	Educational and Museum Facility Design, Construction, and Major Maintenance	Total Capital Projects Funds
ASSETS				
Cash and Investments	\$ 103,142	\$ 124,184	\$ 231,837	\$ 459,163
Total Assets	<u>\$ 103,142</u>	<u>\$ 124,184</u>	<u>\$ 231,837</u>	<u>\$ 459,163</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to Other Funds	\$ 31	\$ 63	\$	\$ 94
Due to Component Units			2,248	2,248
Total Liabilities	<u>31</u>	<u>63</u>	<u>2,248</u>	<u>2,342</u>
Fund Balances:				
Reserved:				
Encumbrances	57	13,158	5,000	18,215
Unreserved:				
Designated for Continuing Appropriations	102,717	110,557	225,420	438,694
Undesignated	337	406	(831)	(88)
Total Fund Balances	<u>103,111</u>	<u>124,121</u>	<u>229,589</u>	<u>456,821</u>
Total Liabilities and Fund Balances	<u>\$ 103,142</u>	<u>\$ 124,184</u>	<u>\$ 231,837</u>	<u>\$ 459,163</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Fiscal Year Ended June 30, 2003
 (Stated in Thousands)

	Accelerated Alaska Transportation Projects	Transportation Project	Educational and Museum Facility Design, Construction, and Major Maintenance	Total Capital Projects Funds
REVENUES				
Interest and Investment Income	\$ 337	\$ 406	\$ 759	\$ 1,502
Total Revenues	<u>337</u>	<u>406</u>	<u>759</u>	<u>1,502</u>
EXPENDITURES				
Current				
University			6,385	6,385
Transportation	31	200		231
Total Expenditures	<u>31</u>	<u>200</u>	<u>6,385</u>	<u>6,616</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>306</u>	<u>206</u>	<u>(5,626)</u>	<u>(5,114)</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	102,805	123,915	235,215	461,935
Total Other Financing Sources and Uses	<u>102,805</u>	<u>123,915</u>	<u>235,215</u>	<u>461,935</u>
Net Change in Fund Balances	103,111	124,121	229,589	456,821
Fund Balances - Beginning of Year	0	0	0	0
Fund Balances - End of Year	<u>\$ 103,111</u>	<u>\$ 124,121</u>	<u>\$ 229,589</u>	<u>\$ 456,821</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 enterprise funds.

COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

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

ENERGY ASSISTANCE ENTERPRISE FUNDS

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

OTHER AGENCIES ENTERPRISE FUNDS

- Agricultural Revolving Loan Fund (21606) – AS 03.10.040 – Administered by the Department of Natural Resources. The Alaska Agricultural Loan Act is a declaration of policy to promote the development of agriculture as an industry throughout the state by means of long-term low interest loans. The Agricultural Revolving Loan Fund was created to fulfill this purpose.
- Alaska Clean Water Administrative Fund (11167) – AS 46.03.034 – Administered by Department of Environmental Conservation. The fund is composed of two accounts, the Alaska clean water administrative operating account; and the Alaska clean water administrative income account. The administrative operating account may be used for operational and administrative costs to manage the Alaska Clean Water Fund (AS

46.03.032). Money received in payment of fees in connection with making and servicing loans from the Alaska Clean Water Fund and earnings on the administrative fund shall be deposited in the administrative income account.

- Alaska Clean Water Fund (21658) – AS 46.03.032 – Administered by Department of Environmental Conservation. This fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities.
- Alaska Drinking Water Administrative Fund (11170) – AS 46.03.038 – Administered by Department of Environmental Conservation. The fund is composed of two accounts, the Alaska drinking water administrative operating account; and the Alaska drinking water administrative income account. The administrative operating account may be used for operational and administrative costs to manage the Alaska Drinking Water Fund (AS 46.03.036). Money received in payment of fees in connection with making and servicing loans from the Alaska Drinking Water Fund and earnings on the administrative fund shall be deposited in the administrative income account.
- Alaska Drinking Water Fund (21659) – AS 46.03.036 – Administered by Department of Environmental Conservation. The fund consists of federal capitalization grant. The capitalization grant is divided between two purposes: part of each capitalization grant is to be deposited into the DWF for providing loans for drinking water infrastructure projects; the other part is to be used for set-side or nonproject activities. Set aside funds must be maintained in a separate account from the project fund.
- Alcoholism and Drug Abuse Revolving Loan Fund (21642) – AS 44.29.210 – Administered by Department of Health and Social Services. This fund is required under 42 U.S.C. 300x-4a to qualify the state to receive block grant money from the United States Department of Health and Human Services under 42 U.S.C. 300x – 2. Money in the fund may be used to make loans to private nonprofit organizations for the cost of establishing programs to help pay the living expenses of individuals recovering from alcohol or drug abuse who may reside in groups.
- Unemployment Compensation Fund (33030) – AS 23.20.130 – Administered by the Department of Labor and Workforce Development. This federal trust fund is established and maintained in the U.S. Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.



STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 4.01

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 46,841	\$ 340	\$ 285,126	\$ 332,307
Accounts Receivable - Net	748		9,301	10,049
Interest and Dividends Receivable	3,559	1	1,856	5,416
Due from Other Funds	2		282	284
Due from Other Governments			62	62
Loans, Notes, and Bonds Receivable	272	17	10,130	10,419
Total Current Assets	51,422	358	306,757	358,537
Noncurrent Assets:				
Interest and Dividends Receivable	24,400			24,400
Loans, Notes, and Bonds Receivable	117,828	46	120,995	238,869
Repossessed Property	663		1,618	2,281
Investment in Projects, Partnerships, or Corporations			8,062	8,062
Other Noncurrent Assets			1,522	1,522
Total Noncurrent Assets	142,891	46	132,197	275,134
Total Assets	194,313	404	438,954	633,671
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	773		5,475	6,248
Due to Other Funds	616	39	645	1,300
Due to Other Governments			5,711	5,711
Other Current Liabilities	24		234	258
Total Current Liabilities	1,413	39	12,065	13,517
Noncurrent Liabilities:				
Other Noncurrent Liabilities			20	20
Total Noncurrent Liabilities	0	0	20	20
Total Liabilities	1,413	39	12,085	13,537
NET ASSETS				
Restricted for:				
Unemployment Compensation			200,157	200,157
Other Purposes			198,708	198,708
Unrestricted	192,900	365	28,004	221,269
Total Net Assets	\$ 192,900	\$ 365	\$ 426,869	\$ 620,134

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	\$	\$	\$ 156,455	\$ 156,455
Allowance for Uncollectible Contributions			4	4
Charges for Goods and Services	228		491	719
Interest and Investment Income	9,217	27	2,863	12,107
Allowance for Uncollectible Interest	(308)			(308)
Fines and Forfeitures	139	1	10	150
Federal Grants in Aid			770	770
Total Operating Revenues	<u>9,276</u>	<u>28</u>	<u>160,593</u>	<u>169,897</u>
OPERATING EXPENSES				
Benefits			191,598	191,598
Operating	6,125	96	1,332	7,553
Depreciation			90	90
Provision for Loan Losses and Forgiveness	929	14		943
Other Operating Expenses			151	151
Total Operating Expenses	<u>7,054</u>	<u>110</u>	<u>193,171</u>	<u>200,335</u>
Operating Income (Loss)	<u>2,222</u>	<u>(82)</u>	<u>(32,578)</u>	<u>(30,438)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income			17,253	17,253
Interest and Investment Expense			(5)	(5)
Other Nonoperating Revenues (Expenses)			1,292	1,292
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>0</u>	<u>18,540</u>	<u>18,540</u>
Income Before Capital Contributions and Transfers	<u>2,222</u>	<u>(82)</u>	<u>(14,038)</u>	<u>(11,898)</u>
Capital Contributions			10,724	10,724
Transfers In from Other Funds			600	600
Transfers (Out to) Other Funds	(344)	(1)	(3,085)	(3,430)
Change in Net Assets	1,878	(83)	(5,799)	(4,004)
Total Net Assets - Beginning of Year	201,676	448	432,668	634,792
Prior Period Adjustment	(10,654)			(10,654)
Total Net Assets - End of Year	<u>\$ 192,900</u>	<u>\$ 365</u>	<u>\$ 426,869</u>	<u>\$ 620,134</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$	\$	\$ 1,165	\$ 1,165
Receipts from Customers	(60)	(1)		(61)
Receipt of Principal from Loan Recipients	10,813	68	13,450	24,331
Receipt of Interest and Fees from Loan Recipients	7,698	29	3,938	11,665
Receipts from Insured			156,782	156,782
Payments to Employees			(864)	(864)
Payments to Suppliers			(764)	(764)
Payments to Loan Recipients	(10,228)		(19,169)	(29,397)
Claims Paid			(190,408)	(190,408)
Interfund Services Used	(5,952)	(203)	(59)	(6,214)
Other Receipts	1,277		667	1,944
Other Payments	(8)		(1,066)	(1,074)
Net Cash Provided (Used) by Operating Activities	3,540	(107)	(36,328)	(32,895)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Subsidies and Transfers (Out to) Other Funds	(344)	(1)	(3,085)	(3,430)
Operating Subsidies and Transfers In from Other Funds	(2)		600	598
Federal Grants			10,724	10,724
Proceeds from Issuance of Short-term Debt			2,623	2,623
Payments on Short-term Debt			(2,623)	(2,623)
Interest and Fees Paid on Borrowing			(5)	(5)
Net Cash Provided (Used) by Noncapital Financing Activities	(346)	(1)	8,234	7,887
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments			17,253	17,253
Net Cash Provided (Used) by Investing Activities	0	0	17,253	17,253
Net Increase (Decrease) in Cash	3,194	(108)	(10,841)	(7,755)
Cash and Cash Equivalents - Beginning of Year	43,647	448	295,967	340,062
Cash and Cash Equivalents - End of Year	\$ 46,841	\$ 340	\$ 285,126	\$ 332,307
Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 2,222	\$ (82)	\$ (32,578)	\$ (30,438)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization			90	90
Other Reconciling Items			1,202	1,202
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	253		403	656
Due From Other Funds			52	52
Due From Other Governments			396	396
Loans, Notes and Bonds Receivable - Net	3,828	82	(8,878)	(4,968)
Reposessed Property			742	742
Investment in Projects, Partnerships, or Corporations			(380)	(380)
Interest and Dividends Receivable - Net	(3,470)	1	596	(2,873)
Other Assets			2,384	2,384
Due to Other Funds	151	(107)	(1,134)	(1,090)
Due to Other Governments			840	840
Accounts Payable and Accrued Liabilities	558	(1)	(69)	488
Other Liabilities	(2)		6	4
Net Cash Provided (Used) by Operating Activities	\$ 3,540	\$ (107)	\$ (36,328)	\$ (32,895)
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	\$ 46,841	\$ 340	\$ 285,126	\$ 332,307
Cash, End of Year	\$ 46,841	\$ 340	\$ 285,126	\$ 332,307
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	(337)	(1)		(338)
Transfers In from Other Funds (Accrual)	(2)			(2)

STATE OF ALASKA
Combining Statement of Net Assets
Commercial Assistance Enterprise Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 4.11

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
ASSETS			
Current Assets:			
Cash and Investments	\$ 222	\$ 340	\$ 26,179
Accounts Receivable - Net	193		555
Interest and Dividends Receivable	9		2,743
Due from Other Funds			
Loans, Notes, and Bonds Receivable			272
Total Current Assets	<u>424</u>	<u>340</u>	<u>29,749</u>
Noncurrent Assets:			
Interest and Dividends Receivable			3,708
Loans, Notes, and Bonds Receivable	91	31	62,627
Repossessed Property			663
Total Noncurrent Assets	<u>91</u>	<u>31</u>	<u>66,998</u>
Total Assets	<u>515</u>	<u>371</u>	<u>96,747</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	31		164
Due to Other Funds	41	90	415
Other Current Liabilities			24
Total Liabilities	<u>72</u>	<u>90</u>	<u>603</u>
NET ASSETS			
Unrestricted	443	281	96,144
Total Net Assets	<u>\$ 443</u>	<u>\$ 281</u>	<u>\$ 96,144</u>

STATEMENT 4.11

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 124	\$ 137	\$ 19,582	\$ 257	\$ 46,841
	1	806		748
	2			3,559
				2
				272
124	140	20,388	257	51,422
		20,692		24,400
30	310	54,658	81	117,828
				663
30	310	75,350	81	142,891
154	450	95,738	338	194,313
		578		773
24	39		7	616
				24
24	39	578	7	1,413
130	411	95,160	331	192,900
\$ 130	\$ 411	\$ 95,160	\$ 331	\$ 192,900

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

Commercial Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
OPERATING REVENUES			
Charges for Goods and Services	\$ 15	\$	\$ 190
Interest and Investment Income	17	45	4,695
Allowance for Uncollectible Interest			(159)
Fines and Forfeitures	4		135
Total Operating Revenues	<u>36</u>	<u>45</u>	<u>4,861</u>
OPERATING EXPENSES			
Operating	33	4	5,663
Provision for Loan Losses and Forgiveness			928
Total Operating Expenses	<u>33</u>	<u>4</u>	<u>6,591</u>
Operating Income (Loss)	<u>3</u>	<u>41</u>	<u>(1,730)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers (Out to) Other Funds	(10)	(90)	(175)
Change in Net Assets	(7)	(49)	(1,905)
Total Net Assets - Beginning of Year	450	330	98,056
Prior Period Adjustment			(7)
Total Net Assets - End of Year	<u>\$ 443</u>	<u>\$ 281</u>	<u>\$ 96,144</u>

STATEMENT 4.12

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$ 6	\$ 26	\$ 23 4,420 (149)	\$ 8	\$ 228 9,217 (308) 139
<u>6</u>	<u>26</u>	<u>4,294</u>	<u>8</u>	<u>9,276</u>
8	3	408	6	6,125
8	3	408	1	929
<u>8</u>	<u>3</u>	<u>408</u>	<u>7</u>	<u>7,054</u>
<u>(2)</u>	<u>23</u>	<u>3,886</u>	<u>1</u>	<u>2,222</u>
(23)	(39)		(7)	(344)
(25)	(16)	3,886	(6)	1,878
155	427	101,921	337	201,676
		(10,647)		(10,654)
<u>\$ 130</u>	<u>\$ 411</u>	<u>\$ 95,160</u>	<u>\$ 331</u>	<u>\$ 192,900</u>

Combining Statement of Cash Flows
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ (2)	\$	\$ (58)
Receipts of Principal from Loan Recipients	11	49	7,798
Receipt of Interest and Fees from Loan Recipients	(4)	45	5,400
Payments to Loan Recipients			(7,895)
Interfund Services Used	(65)	(47)	(5,407)
Other Receipts			1,277
Other Payments	(8)		
Net Cash Provided (Used) by Operating Activities	<u>(68)</u>	<u>47</u>	<u>1,115</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(10)	(90)	(175)
Operating Subsidies and Transfers In from Other Funds			
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(10)</u>	<u>(90)</u>	<u>(175)</u>
Net Increase (Decrease) in Cash	(78)	(43)	940
Cash and Cash Equivalents - Beginning of Year	300	383	25,239
Cash and Cash Equivalents - End of Year	<u>\$ 222</u>	<u>\$ 340</u>	<u>\$ 26,179</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 3	\$ 41	\$ (1,730)
Adjustments to Reconcile Operating Income to Net Cash			
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	6		247
Loans, Notes and Bonds Receivable - Net	1	49	1,960
Interest and Dividends Receivable - Net			380
Due to Other Funds	(32)	(43)	234
Accounts Payable and Accrued Liabilities	(44)		24
Other Liabilities	(2)		
Net Cash Provided (Used) by Operating Activities	<u>\$ (68)</u>	<u>\$ 47</u>	<u>\$ 1,115</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	\$ 222	\$ 340	\$ 26,179
Cash, End of Year	<u>\$ 222</u>	<u>\$ 340</u>	<u>\$ 26,179</u>
Noncash Investing, Capital, and Financing Activities:			
Transfers (Out to) Other Funds (Accrual)	\$ (10)	\$ (90)	\$ (175)
Transfers In from Other Funds (Accrual)			

STATEMENT 4.13

Child Care Facility Revolving Loan	Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Total Commercial Assistance Enterprise Funds
\$	\$	\$	\$	\$
25	16	2,910	4	(60)
6	26	2,216	9	10,813
		(2,333)		7,698
(15)	(4)	(408)	(6)	(10,228)
				(5,952)
				1,277
				(8)
16	38	2,385	7	3,540
(23)	(39)		(7)	(344)
	(2)			(2)
(23)	(41)	0	(7)	(346)
(7)	(3)	2,385	0	3,194
131	140	17,197	257	43,647
\$ 124	\$ 137	\$ 19,582	\$ 257	\$ 46,841
\$ (2)	\$ 23	\$ 3,886	\$ 1	\$ 2,222
				253
25	16	1,772	5	3,828
		(3,851)	1	(3,470)
(7)	(1)			151
		578		558
				(2)
\$ 16	\$ 38	\$ 2,385	\$ 7	\$ 3,540
\$ 124	\$ 137	\$ 19,582	\$ 257	\$ 46,841
\$ 124	\$ 137	\$ 19,582	\$ 257	\$ 46,841
(23)	(39)			(337)
	(2)			(2)

STATE OF ALASKA
Combining Statement of Net Assets
Energy Assistance Enterprise Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
ASSETS			
Current Assets:			
Cash and Investments	\$ 339	\$ 1	\$ 340
Interest and Dividends Receivable	1		1
Loans, Notes, and Bonds Receivable	17		17
Total Current Assets	357	1	358
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	46		46
Total Assets	403	1	404
LIABILITIES			
Current Liabilities:			
Due to Other Funds	39		39
Total Current Liabilities	39	0	39
Total Liabilities	39	0	39
NET ASSETS			
Unrestricted	364	1	365
Total Net Assets	\$ 364	\$ 1	\$ 365

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Energy Assistance Enterprise Funds
 For the Fiscal Year Ended June 30, 2003
 (Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
OPERATING REVENUES			
Interest and Investment Income	\$ 27	\$	\$ 27
Fines and Forfeitures	1		1
Total Operating Revenues	<u>28</u>	<u>0</u>	<u>28</u>
OPERATING EXPENSES			
Operating	96		96
Provision for Loan Losses and Forgiveness	14		14
Total Operating Expenses	<u>110</u>	<u>0</u>	<u>110</u>
Operating Income (Loss)	<u>(82)</u>	<u>0</u>	<u>(82)</u>
NONOPERATING REVENUES (EXPENSES)			
Transfers (Out to) Other Funds	(1)		(1)
Change in Net Assets	(83)	0	(83)
Total Net Assets - Beginning of Year	447	1	448
Total Net Assets - End of Year	<u>\$ 364</u>	<u>\$ 1</u>	<u>\$ 365</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 4.23

	Alternative Energy Revolving Loan	Residential Energy Conservation	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ (1)	\$	\$ (1)
Receipts of Principal from Loan Recipients	68		68
Receipt of Interest and Fees from Loan Recipients	29		29
Interfund Services Used	(203)		(203)
Net Cash Provided (Used) by Operating Activities	<u>(107)</u>	<u>0</u>	<u>(107)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(1)		(1)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1)</u>	<u>0</u>	<u>(1)</u>
Net Increase (Decrease) in Cash	(108)	0	(108)
Cash and Cash Equivalents - Beginning of Year	447	1	448
Cash and Cash Equivalents - End of Year	<u>\$ 339</u>	<u>\$ 1</u>	<u>\$ 340</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (82)	\$	\$ (82)
Adjustments to Reconcile Operating Income to Net Cash			
Net Changes in Assets and Liabilities:			
Loans, Notes and Bonds Receivable - Net	82		82
Interest and Dividends Receivable - Net	1		1
Due to Other Funds	(107)		(107)
Accounts Payable and Accrued Liabilities	(1)		(1)
Net Cash Provided (Used) by Operating Activities	<u>\$ (107)</u>	<u>\$ 0</u>	<u>\$ (107)</u>
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	<u>\$ 339</u>	<u>\$ 1</u>	<u>\$ 340</u>
Cash, End of Year	<u>\$ 339</u>	<u>\$ 1</u>	<u>\$ 340</u>
Noncash Investing, Capital, and Financing Activities:			
Transfers (Out to) Other Funds (Accrual)	(1)		(1)



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STATE OF ALASKA
Combining Statement of Net Assets
Other Agencies Enterprise Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 4.31

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan
ASSETS		
Current Assets:		
Cash and Investments	\$ 184	\$ 4,187
Accounts Receivable - Net		29
Interest and Dividends Receivable		249
Due from Other Funds		
Due from Other Governments		
Loans, Notes, and Bonds Receivable		1,351
Total Current Assets	184	5,816
Noncurrent Assets:		
Loans, Notes, and Bonds Receivable	4	11,200
Reposessed Property		1,618
Investment in Projects, Partnerships, or Corporations		8,062
Total Noncurrent Assets	4	1,522
Total Assets	188	28,218
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities		113
Due to Other Funds	1	94
Due to Other Governments		
Other Current Liabilities		7
Total Current Liabilities	1	214
Noncurrent Liabilities:		
Other Noncurrent Liabilities		
Total Noncurrent Liabilities	0	0
Total Liabilities	1	214
NET ASSETS		
Restricted for:		
Unemployment Compensation		
Other Purposes	187	
Unrestricted		28,004
Total Net Assets	\$ 187	\$ 28,004

STATEMENT 4.31

Unemployment Compensation	Alaska Clean Water	Alaska Drinking Water	Total Other Agencies Enterprise Funds
\$ 202,681	\$ 63,878	\$ 14,196	\$ 285,126
9,272	1,281	326	9,301
51	134	97	282
15	18	29	62
	7,894	885	10,130
<u>212,019</u>	<u>73,205</u>	<u>15,533</u>	<u>306,757</u>
	84,676	25,115	120,995
			1,618
			8,062
			<u>1,522</u>
<u>0</u>	<u>84,676</u>	<u>25,115</u>	<u>132,197</u>
<u>212,019</u>	<u>157,881</u>	<u>40,648</u>	<u>438,954</u>
5,354		8	5,475
550			645
5,711			5,711
227			234
<u>11,842</u>	<u>0</u>	<u>8</u>	<u>12,065</u>
20			20
20	0	0	20
<u>11,862</u>	<u>0</u>	<u>8</u>	<u>12,085</u>
200,157	157,881	40,640	200,157
			198,708
			28,004
<u>\$ 200,157</u>	<u>\$ 157,881</u>	<u>\$ 40,640</u>	<u>\$ 426,869</u>

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

Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2003

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan
OPERATING REVENUES		
Premiums and Contributions	\$	\$
Allowance for Uncollectible Contributions		
Charges for Goods and Services		2
Interest and Investment Income		773
Fines and Forfeitures		10
Federal Grants in Aid		
Total Operating Revenues	0	785
OPERATING EXPENSES		
Benefits		
Operating	2	652
Depreciation		90
Other Operating Expenses		
Total Operating Expenses	2	742
Operating Income (Loss)	(2)	43
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	9	
Interest and Investment Expense		
Other Nonoperating Revenues (Expenses)		1,292
Total Nonoperating Revenues (Expenses)	9	1,292
Income Before Capital Contributions and Transfers	7	1,335
Capital Contributions		
Transfers In from Other Funds		
Transfers (Out to) Other Funds		(1,062)
Change in Net Assets	7	273
Total Net Assets - Beginning of Year	180	27,731
Total Net Assets - End of Year	\$ 187	\$ 28,004

STATEMENT 4.32

Unemployment Compensation	Alaska Clean Water	Alaska Drinking Water	Total Other Agencies Enterprise Funds
\$ 156,455	\$	\$	\$ 156,455
4			4
	394	95	491
	1,637	453	2,863
	327	443	770
<u>156,459</u>	<u>2,358</u>	<u>991</u>	<u>160,593</u>
191,598			191,598
	295	383	1,332
	91	60	151
<u>191,598</u>	<u>386</u>	<u>443</u>	<u>193,171</u>
<u>(35,139)</u>	<u>1,972</u>	<u>548</u>	<u>(32,578)</u>
13,736	2,865	643	17,253
	(3)	(2)	(5)
			1,292
<u>13,736</u>	<u>2,862</u>	<u>641</u>	<u>18,540</u>
<u>(21,403)</u>	<u>4,834</u>	<u>1,189</u>	<u>(14,038)</u>
	8,531	2,193	10,724
		600	600
<u>(2,023)</u>			<u>(3,085)</u>
<u>(23,426)</u>	<u>13,365</u>	<u>3,982</u>	<u>(5,799)</u>
<u>223,583</u>	<u>144,516</u>	<u>36,658</u>	<u>432,668</u>
<u>\$ 200,157</u>	<u>\$ 157,881</u>	<u>\$ 40,640</u>	<u>\$ 426,869</u>

STATE OF ALASKA
Combining Statement of Cash Flows
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 4.33

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$	\$
Receipts of Principal from Loan Recipients		4,775
Receipt of Interest and Fees from Loan Recipients		783
Receipts from Insured		
Payments to Employees		(222)
Payments to Suppliers		(577)
Payments to Loan Recipients	(4)	(5,837)
Claims Paid		
Interfund Services Used	(2)	(57)
Other Receipts		615
Other Payments	(1)	
Net Cash Provided (Used) by Operating Activities	(7)	(520)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds		(1,062)
Operating Subsidies and Transfers In from Other Funds		
Federal Grants		
Proceeds from Issuance of Short-term Debt		
Payments on Short-term Debt		
Interest and Fees Paid on Borrowing		
Net Cash Provided (Used) by Noncapital Financing Activities	0	(1,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	9	
Net Cash Provided (Used) by Investing Activities	9	0
Net Increase (Decrease) in Cash	2	(1,582)
Cash and Cash Equivalents - Beginning of Year	182	5,769
Cash and Cash Equivalents - End of Year	\$ 184	\$ 4,187
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (2)	\$ 43
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization		90
Other Reconciling Items		1,202
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net		104
Due From Other Funds		
Due From Other Governments		
Loans, Notes and Bonds Receivable - Net	(4)	(4,641)
Repossessed Property		742
Investment in Projects, Partnerships, or Corporations		(380)
Interest and Dividends Receivable - Net		20
Other Assets		2,384
Due to Other Funds	(1)	(68)
Due to Other Governments		
Accounts Payable and Accrued Liabilities		(3)
Other Liabilities		(13)
Net Cash Provided (Used) by Operating Activities	\$ (7)	\$ (520)
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 184	\$ 4,187
Cash, End of Year	\$ 184	\$ 4,187

STATEMENT 4.33

Unemployment Compensation	Alaska Clean Water	Alaska Drinking Water	Total Other Agencies Enterprise Funds
\$ 379	\$ 311	\$ 475	\$ 1,165
	7,841	834	13,450
	2,631	524	3,938
156,782			156,782
	(295)	(347)	(864)
	(91)	(96)	(764)
(190,408)	(10,539)	(2,789)	(19,169)
			(190,408)
			(59)
130	(115)	37	667
(1,065)			(1,066)
(34,182)	(257)	(1,362)	(36,328)
(2,023)			(3,085)
		600	600
	8,531	2,193	10,724
	1,612	1,011	2,623
	(1,612)	(1,011)	(2,623)
	(3)	(2)	(5)
(2,023)	8,528	2,791	8,234
13,736	2,865	643	17,253
13,736	2,865	643	17,253
(22,469)	11,136	2,072	(10,841)
225,150	52,742	12,124	295,967
\$ 202,681	\$ 63,878	\$ 14,196	\$ 285,126
(35,139)	1,972	548	(32,578)
			90
			1,202
299			403
130	(115)	37	52
379	(15)	32	396
	(2,397)	(1,836)	(8,878)
			742
			(380)
	600	(24)	596
			2,384
(1,065)			(1,134)
840			840
355	(302)	(119)	(69)
19			6
\$ (34,182)	\$ (257)	\$ (1,362)	\$ (36,328)
\$ 202,681	\$ 63,878	\$ 14,196	\$ 285,126
\$ 202,681	\$ 63,878	\$ 14,196	\$ 285,126



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Internal Service Funds

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

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



STATE OF ALASKA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003
(Stated in Thousands)

STATEMENT 4.41

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	\$ 15,807	\$ 5,390
Accounts Receivable - Net	52	
Due from Other Funds		
Due from Component Units		1,071
Due from Other Governments		
Inventories		
Other Current Assets		1
Total Current Assets	<u>15,859</u>	<u>6,462</u>
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation		9
Buildings, Net of Depreciation		34,670
Total Noncurrent Assets	<u>0</u>	<u>34,679</u>
Total Assets	<u>15,859</u>	<u>41,141</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	7,199	536
Due to Other Funds	58	545
Interest Payable		
Claims, Judgements, and		
Compensated Absences	17	63
Notes, Bonds, and Leases Payable		
Total Current Liabilities	<u>7,274</u>	<u>1,144</u>
Noncurrent Liabilities:		
Notes, Bonds, and Leases Payable		
Total Liabilities	<u>7,274</u>	<u>1,144</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		34,679
Unrestricted	8,585	5,318
Total Net Assets	<u>\$ 8,585</u>	<u>\$ 39,997</u>

STATEMENT 4.41

Information Services	Highways Equipment Working Capital	Correctional Industries	Total Internal Service Funds
\$ 3,593	\$ 5,687	\$ 504	\$ 30,981
3,559	44		3,655
997	3,385	206	4,588
42			1,113
8		3	11
224	2,645	998	3,867
1,093			1,094
9,516	11,761	1,711	45,309
8,037	78,851	166	87,063
	190	759	35,619
8,037	79,041	925	122,682
17,553	90,802	2,636	167,991
464	1,069	261	9,529
			603
	21		21
1,112	2,021	200	3,413
851	1,317		2,168
2,427	4,428	461	15,734
451	3,416		3,867
2,878	7,844	461	19,601
6,735	74,308	925	116,647
7,940	8,650	1,250	31,743
\$ 14,675	\$ 82,958	\$ 2,175	\$ 148,390

STATE OF ALASKA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 4.42

	Group Health and Life Benefits	Alaska Public Building
OPERATING REVENUES		
Premiums and Contributions	\$ 51,902	\$
Charges for Goods and Services		8,222
Other Operating Revenues	85	3
Total Operating Revenues	<u>51,987</u>	<u>8,225</u>
OPERATING EXPENSES		
Benefits	46,576	
Operating	2,829	5,135
Depreciation		1,934
Total Operating Expenses	<u>49,405</u>	<u>7,069</u>
Operating Income (Loss)	<u>2,582</u>	<u>1,156</u>
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	715	13
Interest and Investment Expense		
Gain (Loss) on Disposal of Capital Assets		
Other Nonoperating Revenues (Expenses)		
Total Nonoperating Revenues (Expenses)	<u>715</u>	<u>13</u>
Income Before Capital Contributions and Transfers	<u>3,297</u>	<u>1,169</u>
Capital Contributions		
Transfers In from Other Funds		384
Transfers (Out to) Other Funds		
Change in Net Assets	<u>3,297</u>	<u>1,553</u>
Total Net Assets - Beginning of Year	5,288	45,080
Prior Period Adjustment		(6,636)
Total Net Assets - End of Year	<u>\$ 8,585</u>	<u>\$ 39,997</u>

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Correctional Industries	Total Internal Service Funds
\$ 15,892	\$ 33,349	\$ 2,948	\$ 51,902
15,892	33,349	2,948	60,411
			88
			112,401
			46,576
14,980	22,246	3,776	48,966
2,611	10,357	50	14,952
17,591	32,603	3,826	110,494
(1,699)	746	(878)	1,907
			728
	(298)		(298)
	(203)		(203)
788	35		823
788	(466)	0	1,050
(911)	280	(878)	2,957
	5,205		5,205
325		1,002	1,711
(4,289)			(4,289)
(4,875)	5,485	124	5,584
19,557	77,516	2,051	149,492
(7)	(43)		(6,686)
\$ 14,675	\$ 82,958	\$ 2,175	\$ 148,390

STATE OF ALASKA
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 4.43

	Group Health and Life Benefits	Alaska Public Building
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	\$	\$
Receipts from Customers		8,012
Receipts from Insured	51,888	
Payments to Employees	(191)	(762)
Payments to Suppliers	(2,486)	(4,345)
Claims Paid	(46,540)	
Other Receipts	85	3
Other Payments		(387)
Net Cash Provided (Used) by Operating Activities	<u>2,756</u>	<u>2,521</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds		
Operating Subsidies and Transfers In from Other Funds		384
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>384</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets		
Acquisition and Construction of Capital Assets		(1,849)
Principal Paid on Capital Debt		
Interest and Fees Paid on Capital Debt		
Other Receipts (Payments)		
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>0</u>	<u>(1,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	715	
Net Cash Provided (Used) by Investing Activities	<u>715</u>	<u>0</u>
Net Increase (Decrease) in Cash	3,471	1,056
Cash and Cash Equivalents - Beginning of Year	12,336	4,334
Cash and Cash Equivalents - End of Year	<u>\$ 15,807</u>	<u>\$ 5,390</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 2,582	\$ 1,156
Adjustments to Reconcile Operating Income to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation and Amortization		1,934
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	(14)	
Due From Other Funds	81	
Due From Component Units		
Due From Other Governments		
Inventories		
Other Assets		(212)
Due to Other Funds	58	(407)
Accounts Payable and Accrued Liabilities	49	50
Other Liabilities		
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,756</u>	<u>\$ 2,521</u>
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	\$ 15,807	\$ 5,390
Cash, End of Year	<u>\$ 15,807</u>	<u>\$ 5,390</u>
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets		
Interfund Asset Transfer		

STATEMENT 4.43

Information Services	Highways Equipment Working Capital	Correctional Industries	Total Internal Service Funds
\$ 225	\$	\$	\$ 225
14,854	34,237	3,039	60,142
			51,888
(7,040)	(11,315)	(1,027)	(20,335)
(10,115)	(8,778)	(2,749)	(28,473)
			(46,540)
			88
	(1,871)		(2,258)
(2,076)	12,273	(737)	14,737
(4,289)			(4,289)
		1,002	1,386
(4,289)	0	1,002	(2,903)
	830		830
(1,150)	(8,433)		(11,432)
	(2,189)		(2,189)
	(365)		(365)
	47		47
(1,150)	(10,110)	0	(13,109)
			715
0	0	0	715
(7,515)	2,163	265	(560)
11,108	3,524	239	31,541
\$ 3,593	\$ 5,687	\$ 504	\$ 30,981
\$ (1,699)	\$ 746	\$ (878)	\$ 1,907
2,611	10,357	50	14,952
(3,040)	(44)		(3,098)
2,106	932	86	3,205
71			71
50			50
7	(122)		(115)
42			(170)
			(349)
(2,173)	213	(21)	(1,882)
(51)	191	26	166
\$ (2,076)	\$ 12,273	\$ (737)	\$ 14,737
\$ 3,593	\$ 5,687	\$ 504	\$ 30,981
\$ 3,593	\$ 5,687	\$ 504	\$ 30,981
	2,969		2,969
	2,236		2,236



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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 (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 (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 (35025) – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- Public Employees' Retirement System (35010) – AS 39.35.020 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- Retiree Health (11159) – AS 26.05.020, AS 22.25.048, AS 39.35.020, AS 14.25.010 – Administered by the Department of Administration. The state began a self-insurance program to provide health care coverage for retirees covered by the retirement programs administered by the state. This fund consists of accumulated assets held for the purpose of paying health care claims for retirees and accounts for transactions pertaining to the self-insurance program.
- Supplemental Benefits System (35041) – AS 39.30.150 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Supplemental Benefits System.
- Teachers' Retirement System (35020) – AS 14.25.010 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Teachers' Retirement System.

AGENCY FUNDS

- Deposits, Suspense, and Miscellaneous (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.
- EVOS Investment Trust Fund (32025) – Public Law 106-113 – Administered by the Exxon Valdez Oil Spill (EVOS) Trustee Council. Consists of assets of a joint federal/state trust fund established to receive, hold, disburse and manage all natural resource damage recoveries obtained by the United States government and the State of Alaska under the Clean Water Act, arising out of the Exxon Valdez oil spill.
- Impact Aid PL 103-382 (32017) – Administered by the Department of Education and Early Development. These monies are received from the federal government and are distributed to the local school districts. The funds provide financial assistance to local school districts where enrollment or availability of revenue is adversely affected by federal activities.
- Public Advocacy Trust Fund (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 (32011) – Administered by the Department of Labor and Workforce Development. This fund was established to account for receipts and disbursements for wage and hour violations.

STATE OF ALASKA
 Combining Statement of Fiduciary Net Assets
 Pension and Other Employee Benefit Trust Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 5.01

	Retiree Health	Deferred Compensation	Supplemental Benefits
ASSETS			
Cash and Cash Equivalents	\$ 47,971	\$ 6,671	\$ 915
Investments	137,965	340,224	1,569,730
Investment Loss Trust Fund Assets			1,606
Contributions Receivable	102	1,412	5,138
Due from Other Funds	6		
Other Assets			
Total Assets	186,044	348,307	1,577,389
LIABILITIES			
Accounts Payable and Accrued Liabilities	39,967		2,384
Due to Other Funds	1,206		
Total Liabilities	41,173	0	2,384
NET ASSETS			
Held in Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	144,871		
Individuals, Organizations, and Other Governments		348,307	1,575,005
Total Net Assets	\$ 144,871	\$ 348,307	\$ 1,575,005

STATEMENT 5.01

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 524	\$ 563	\$ 54	\$ 27	\$ 56,725
7,388,882	3,598,550	63,454	12,705	13,111,510
8,849	5,950	85		1,606
25	336			21,536
	14			342
7,398,280	3,605,413	63,593	12,732	13,191,758
6,764	2,794	45	157	52,111
61	0	7	1	1,275
6,825	2,794	52	158	53,386
5,318,390	2,917,523	61,877	12,574	8,310,364
2,073,065	685,096	1,664		2,904,696
				1,923,312
\$ 7,391,455	\$ 3,602,619	\$ 63,541	\$ 12,574	\$ 13,138,372

STATE OF ALASKA
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 5.02

	Retiree Health	Deferred Compensation	Supplemental Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	\$ 210,073	\$ 29,575	\$ 51,172
Member	30,202	29,575	55,811
Other	475		
Total Premiums and Contributions	<u>240,750</u>	<u>29,575</u>	<u>106,983</u>
Investment Income:			
Net Appreciation (Depreciation) in Fair			
Value of Investments	3,301	(39,132)	(123,634)
Interest	5,579	6,179	58
Dividends	695		
Total Investment Income	<u>9,575</u>	<u>(32,953)</u>	<u>(123,576)</u>
Less Investment Expense	60		
Net Investment Income	<u>9,515</u>	<u>(32,953)</u>	<u>(123,576)</u>
Other Additions			
Total Additions	<u>250,265</u>	<u>(3,378)</u>	<u>(16,593)</u>
DEDUCTIONS			
Benefits Paid	206,176	34,645	98,060
Insurance Premiums			4,718
Refunds of Premiums and Contributions			
Administrative Expenses	9,448	836	2,450
Total Deductions	<u>215,624</u>	<u>35,481</u>	<u>105,228</u>
Net Increase (Decrease) in Net Assets Held in			
Trust for:			
Pension Benefits			
Postemployment Healthcare Benefits	34,641		
Individuals, Organizations, and Other Governments		(38,859)	(121,821)
Net Assets - Beginning of the Year	110,230	387,166	1,696,826
Net Assets - End of the Year	<u>\$ 144,871</u>	<u>\$ 348,307</u>	<u>\$ 1,575,005</u>

STATEMENT 5.02

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
\$ 99,198	\$ 62,856	\$ 1,746	\$ 1,322	\$ 426,367
112,112	55,789	334		283,823
				475
<u>211,310</u>	<u>118,645</u>	<u>2,080</u>	<u>1,322</u>	<u>710,665</u>
13,817	2,014	250	308	(143,076)
124,691	61,162	944	367	198,980
114,978	56,457	1,038	97	173,265
253,486	119,633	2,232	772	229,169
16,281	8,058	135	52	24,586
237,205	111,575	2,097	720	204,583
27	14			41
448,542	230,234	4,177	2,042	915,289
451,015	310,416	4,294	1,488	1,106,094
				4,718
13,025	3,840			16,865
5,880	2,395	26	94	21,129
469,920	316,651	4,320	1,582	1,148,806
(5,367)	(65,774)	146	460	(70,535)
(16,011)	(20,643)	(289)		(2,302)
				(160,680)
7,412,833	3,689,036	63,684	12,114	13,371,889
<u>\$ 7,391,455</u>	<u>\$ 3,602,619</u>	<u>\$ 63,541</u>	<u>\$ 12,574</u>	<u>\$ 13,138,372</u>

STATE OF ALASKA
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2003
 (Stated in Thousands)

STATEMENT 5.11

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	\$ 74,761	\$ 273
Investments		
Accounts Receivable - Net	1	
Due from Other Funds	3,697	
Total Assets	<u>\$ 78,459</u>	<u>\$ 273</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,070	\$ 24
Trust Deposits Payable	75,389	249
Due to Other Funds		
Total Liabilities	<u>\$ 78,459</u>	<u>\$ 273</u>

STATEMENT 5.11

Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
\$ 7,422	\$ 157,991	\$	\$ 82,456
			157,991
			1
7			3,704
<u>\$ 7,429</u>	<u>\$ 157,991</u>	<u>\$ 0</u>	<u>\$ 244,152</u>
\$ 7,429	\$ 157,969	\$	\$ 3,094
			241,036
			22
<u>\$ 7,429</u>	<u>\$ 157,991</u>	<u>\$ 0</u>	<u>\$ 244,152</u>

STATE OF ALASKA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2003
(Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 73,310	\$ 155,550	\$ 154,099	\$ 74,761
Accounts Receivable - Net		1		1
Due from Other Funds	1,289	3,697	1,289	3,697
Total Assets	<u>\$ 74,599</u>	<u>\$ 159,248</u>	<u>\$ 155,388</u>	<u>\$ 78,459</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,725	\$ 111,185	\$ 110,840	\$ 3,070
Trust Deposits Payable	71,874	159,175	155,660	75,389
Total Liabilities	<u>\$ 74,599</u>	<u>\$ 270,360</u>	<u>\$ 266,500</u>	<u>\$ 78,459</u>

<u>WAGE AND HOUR</u>				
ASSETS				
Cash and Cash Equivalents	\$ 99	\$ 603	\$ 429	\$ 273
Total Assets	<u>\$ 99</u>	<u>\$ 603</u>	<u>\$ 429</u>	<u>\$ 273</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 37	\$ 451	\$ 464	\$ 24
Trust Deposits Payable	61	641	453	249
Due to Other Funds	1		1	0
Total Liabilities	<u>\$ 99</u>	<u>\$ 1,092</u>	<u>\$ 918</u>	<u>\$ 273</u>

<u>PUBLIC ADVOCACY</u>				
ASSETS				
Cash and Cash Equivalents	\$ 6,745	\$ 11,832	\$ 11,155	\$ 7,422
Due from Other Funds		7		7
Total Assets	<u>\$ 6,745</u>	<u>\$ 11,839</u>	<u>\$ 11,155</u>	<u>\$ 7,429</u>
LIABILITIES				
Trust Deposits Payable	\$ 6,745	\$ 3,470	\$ 2,786	\$ 7,429
Total Liabilities	<u>\$ 6,745</u>	<u>\$ 3,470</u>	<u>\$ 2,786</u>	<u>\$ 7,429</u>

<u>EXXON VALDEZ OIL SPILL INVESTMENT</u>				
ASSETS				
Investments	\$ 177,578	\$ 112,636	\$ 132,223	\$ 157,991
Total Assets	<u>\$ 177,578</u>	<u>\$ 112,636</u>	<u>\$ 132,223</u>	<u>\$ 157,991</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$	\$ 165	\$ 165	\$ 0
Trust Deposits Payable	177,556	112,449	132,036	157,969
Due to Other Funds	22	22	22	22
Total Liabilities	<u>\$ 177,578</u>	<u>\$ 112,636</u>	<u>\$ 132,223</u>	<u>\$ 157,991</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, 2003
 (Stated in Thousands)

STATEMENT 5.12

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
<u>IMPACT AID PL 103-382</u>				
ASSETS				
Cash and Cash Equivalents	\$ 1,872	\$ 27,018	\$ 28,890	\$ 0
Total Assets	<u>\$ 1,872</u>	<u>\$ 27,018</u>	<u>\$ 28,890</u>	<u>\$ 0</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$	\$ 23,714	\$ 23,714	\$ 0
Trust Deposits Payable	13	27,031	27,044	0
Due to Other Funds	1,859		1,859	0
Total Liabilities	<u>\$ 1,872</u>	<u>\$ 50,745</u>	<u>\$ 52,617</u>	<u>\$ 0</u>

TOTAL AGENCY FUNDS

ASSETS				
Cash and Cash Equivalents	\$ 82,026	\$ 195,003	\$ 194,573	\$ 82,456
Investments	177,578	112,636	132,223	157,991
Accounts Receivable - Net		1		1
Due from Other Funds	1,289	3,704	1,289	3,704
Total Assets	<u>\$ 260,893</u>	<u>\$ 311,344</u>	<u>\$ 328,085</u>	<u>\$ 244,152</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 2,762	\$ 135,515	\$ 135,183	\$ 3,094
Trust Deposits Payable	256,249	302,766	317,979	241,036
Due to Other Funds	1,882	22	1,882	22
Total Liabilities	<u>\$ 260,893</u>	<u>\$ 438,303</u>	<u>\$ 455,044</u>	<u>\$ 244,152</u>



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Nonmajor Component Units

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



STATE OF ALASKA
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2003
(Stated in Thousands)

STATEMENT 6.01

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
ASSETS			
Cash and Investments	\$ 50,022	\$ 30,880	\$ 19,290
Accounts Receivable - Net			9,688
Interest and Dividends Receivable	8,788	141	
Due from Primary Government			
Due from Component Units			
Due from Other Governments			
Loans, Notes, and Bonds Receivable	258,028		
Inventories			8,790
Restricted Assets		802,709	10,513
Other Assets			1,796
Capital Assets:			
Equipment, Net of Depreciation			62,283
Buildings, Net of Depreciation			1,668
Infrastructure, Net of Depreciation			80,393
Land			17,644
Construction in Progress			154,573
Total Assets	<u>316,838</u>	<u>833,730</u>	<u>366,638</u>
LIABILITIES			
Accounts Payable and Accrued Liabilities	290	869	12,661
Due to Primary Government	137	5,381	
Due to Component Units			
Due to Other Governments			
Interest Payable	8,547	9,970	
Other Current Liabilities		449	
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgements, and Compensated Absences			
Unearned and Deferred Revenue		14,023	3,600
Notes, Bonds, and Leases Payable	20,175	31,120	2,115
Portion Due or Payable After One Year:			
Unearned and Deferred Revenue			197,191
Notes, Bonds, and Leases Payable	235,305	448,332	16,466
Other Long-term Debt	11,036		
Other Noncurrent Liabilities		553	15,178
Total Liabilities	<u>275,490</u>	<u>510,697</u>	<u>247,211</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt			110,003
Restricted for:			
Education		311,693	
Debt Service	21,093		
Other Purposes			
Unrestricted	20,255	11,340	9,424
Total Net Assets	<u>\$ 41,348</u>	<u>\$ 323,033</u>	<u>\$ 119,427</u>

STATEMENT 6.01

Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Science and Technology Foundation	Alaska Mental Health Trust Authority	Total Nonmajor Component Units
\$ 256,995	\$ 32,568	\$ 102,405	\$ 337,759	\$ 829,919
529	12	911	2,774	13,914
1,113		263	1,659	11,964
	12	423		435
194		5		199
5,672				5,672
23,268			2,281	283,577
	226			9,016
				813,222
			2	1,798
	563			62,846
	30,639			32,307
291,436	6,794			378,623
			992	18,636
	13,063			167,636
<u>579,207</u>	<u>83,877</u>	<u>104,007</u>	<u>345,467</u>	<u>2,629,764</u>
11,282		1,472	4,305	30,879
944	80	97,706	594	104,842
1,800			5	1,805
13				13
3,591				22,108
			115	564
	174		216	390
			379	18,002
5,085				58,495
	31,891		2,156	231,238
132,697				832,800
				11,036
708				16,439
<u>156,120</u>	<u>32,145</u>	<u>99,178</u>	<u>7,770</u>	<u>1,328,611</u>
153,654	51,059			314,716
21,913				311,693
26,034			337,697	43,006
221,486	673	4,829		363,731
<u>\$ 423,087</u>	<u>\$ 51,732</u>	<u>\$ 4,829</u>	<u>\$ 337,697</u>	<u>\$ 1,301,153</u>

STATE OF ALASKA
 Combining Statement of Activities
 Nonmajor Component Units
 For the Fiscal Year Ended June 30, 2003
 (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	\$ 12,349	\$	\$	\$
Alaska Student Loan Corporation	26,525	37,154		
Alaska Railroad Corporation	96,821	101,852	959	2,947
Alaska Energy Authority	71,372	18,278	29,544	
Alaska Aerospace Development Corporation	5,546	379		8,367
Alaska Science and Technology Foundation	8,702			
Alaska Mental Health Trust Authority	14,276	17,069	10,340	3,447
Total Nonmajor Component Units	<u>\$ 235,591</u>	<u>\$ 174,732</u>	<u>\$ 40,843</u>	<u>\$ 14,761</u>

General Revenues:
 Interest and Investment Earnings
 Net Increase (Decrease) in the Fair Value of Investments
 Special Items:
 Alaska Science and Technology Endowment Liquidation
 Total General Revenues and Special Items
 Change in Net Assets
 Net Assets - Beginning of Year
 Prior Period Adjustment
 Accounting Changes
 Net Assets - End of Year

Net (Expense) Revenue and Changes in Net Assets							
Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Science and Technology Foundation	Alaska Mental Health Trust Authority	Total Nonmajor Component Units
\$ (12,349)	\$ 10,629	\$ 8,937	\$ (23,550)	\$ 3,200	\$ (8,702)	\$ 16,580	\$ (12,349)
							10,629
							8,937
							(23,550)
							3,200
							(8,702)
							16,580
<u>(12,349)</u>	<u>10,629</u>	<u>8,937</u>	<u>(23,550)</u>	<u>3,200</u>	<u>(8,702)</u>	<u>16,580</u>	<u>16,580</u>
							(5,255)
13,995	9,261	(3,280)	6,191	64	3,640		29,871
			2,824		747		3,571
					(97,706)		(97,706)
<u>13,995</u>	<u>9,261</u>	<u>(3,280)</u>	<u>9,015</u>	<u>64</u>	<u>(93,319)</u>		<u>(64,264)</u>
1,646	19,890	5,657	(14,535)	3,264	(102,021)	16,580	(69,519)
39,702	301,522	113,633	437,622	48,468	106,850	321,117	1,368,914
		137					137
	1,621						1,621
<u>\$ 41,348</u>	<u>\$ 323,033</u>	<u>\$ 119,427</u>	<u>\$ 423,087</u>	<u>\$ 51,732</u>	<u>\$ 4,829</u>	<u>\$ 337,697</u>	<u>\$ 1,301,153</u>



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Other Supplementary Information



STATE OF ALASKA

STATEMENT 6.03

Balance Sheet

Nonmajor Component Units Without Separately Issued Financial Statements

June 30, 2003

(Stated in Thousands)

	Alaska Science and Technology Foundation	Alaska Mental Health Trust Authority
ASSETS		
Cash and Investments	\$ 102,405	\$ 337,759
Accounts Receivable - Net	911	2,774
Interest and Dividends Receivable	263	1,659
Due from Primary Government	423	
Due from Component Units	5	
Loans, Notes, and Bonds Receivable		2,281
Other Assets		2
Capital Assets:		
Land		992
Total Assets	\$ 104,007	\$ 345,467
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,472	\$ 4,305
Due to Primary Government	97,706	594
Due to Component Units		5
Unearned and Deferred Revenue		2,535
Other Long-term Debt		216
Other Liabilities		115
Total Liabilities	99,178	7,770
Fund Balances:		
Reserved:		
Nonexpendable Trust Corpus		272,867
Other Purposes		64,830
Unreserved:		
Undesignated	4,829	
Total Fund Balances	4,829	337,697
Total Liabilities and Fund Balances	\$ 104,007	\$ 345,467

STATE OF ALASKA

STATEMENT 6.04

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Component Units Without Separately Issued Financial Statements
 For the Fiscal Year Ended June 30, 2003
 (Stated in Thousands)

	Alaska Science and Technology Foundation	Alaska Mental Health Trust Authority
REVENUES		
Charges for Services	\$	\$ 46
Rents and Royalties		16,821
Interest and Investment Income	3,640	12,291
Net Increase (Decrease) in the Fair Value of Investments	747	1,496
Other Revenues		202
Total Revenues	<u>4,387</u>	<u>30,856</u>
EXPENDITURES		
Current:		
General Government	155	487
Education		100
University	2,315	137
Health and Human Services		9,805
Law and Justice		263
Public Protection		595
Natural Resources Development	6,232	1,647
Transportation		1,001
Total Expenditures	<u>8,702</u>	<u>241</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,315)</u>	<u>14,276</u>
SPECIAL ITEMS		
Alaska Science and Technology Endowment Liquidation	(97,706)	
Net Change in Fund Balances	(102,021)	16,580
Fund Balances - Beginning of Year	106,850	321,117
Fund Balances - End of Year	<u>\$ 4,829</u>	<u>\$ 337,697</u>



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Statistical Section



STATE OF ALASKA
 GOVERNMENTAL EXPENDITURES BY FUNCTION
 Last Ten Fiscal Years
 June 30, 2003
 (Stated in Thousands)

TABLE 1

Fiscal Year	General Government	Alaska Permanent Fund Dividend	Education	University	Health and Human Services	Law and Justice	Public Protection
1994	\$ 207,096	\$ -	\$ 827,888	\$ -	\$ 780,790	\$ 387,798	\$ -
1995	214,945	-	843,547	-	896,398	447,738	-
1996	216,672	-	832,363	-	980,166	433,336	-
1997	209,207	-	821,375	-	1,012,349	431,166	-
1998	200,392	-	827,794	-	1,031,507	425,328	-
1999	197,154	-	866,346	-	1,069,948	449,256	-
2000	189,026	-	876,890	-	1,170,063	462,056	-
2001	260,488	-	879,584	-	1,284,018	526,676	-
2002	393,579	1,086,362	973,716	1,644	1,404,269	117,648	410,000
2003	278,604	908,676	990,384	226,794	1,571,025	131,359	459,321

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

TABLE 1

<u>Natural Resources</u>	<u>Development</u>	<u>Transportation</u>	<u>Intergovernmental Revenue Sharing</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Totals</u>
\$ 156,971	\$ 33,189	\$ 155,728	\$ 178,889	\$ 33,819	\$ 603,028	\$ 3,365,196
155,698	48,674	154,609	134,314	22,917	470,847	3,389,687
157,787	52,229	153,373	114,994	21,305	477,696	3,439,921
152,231	39,566	163,569	108,634	16,496	430,677	3,385,270
150,547	35,641	152,607	91,700	14,220	416,681	3,346,417
151,480	38,336	155,715	95,448	8,839	479,070	3,511,592
144,762	18,634	156,117	73,783	2,433	549,345	3,643,109
152,690	19,404	165,551	82,519	4,294	573,691	3,948,915
199,032	125,226	650,678	65,198	32,542	-	5,459,894
221,088	145,242	737,768	65,743	36,439	-	5,772,443

STATE OF ALASKA
 AVAILABLE FUND BALANCE
 GENERAL FUND
 Fiscal Years 1959 - 2003
 June 30, 2003
 (Stated in Thousands)

TABLE 2

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

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

STATE OF ALASKA
GENERAL FUND TAX REVENUES BY SOURCE
Last Ten Fiscal Years
June 30, 2003
(Stated in Thousands)

TABLE 3

Fiscal Year	Income Tax	Fuel Tax	Severance Tax	Cigarette Tax	Property Tax	Other Taxes	Totals
1994	\$ 62,066	\$ 40,507	\$ 731,787	\$ 14,133	\$ 61,466	\$ 44,160	\$ 954,119
1995	195,482	39,601	852,833	14,396	57,250	45,510	1,205,072
1996	227,062	37,740	846,873	14,158	55,993	46,276	1,228,102
1997	317,846	35,318	972,124	13,652	53,567	46,331	1,438,838
1998	253,480	35,645	621,495	15,400	51,254	55,463	1,032,737
1999	198,856	37,725	412,757	15,233	48,840	48,175	761,586
2000	218,958	42,137	760,711	16,312	45,038	49,354	1,132,510
2001	397,582	37,737	745,435	16,350	45,087	59,719	1,301,910
2002	269,273	40,352	549,848	15,535	49,641	64,953	989,602
2003	207,075	37,353	640,856	16,287	48,741	81,828	1,032,140

**STATE OF ALASKA
GENERAL FUND REVENUES BY SOURCE
Last Ten Fiscal Years
June 30, 2003
(Stated in Thousands)**

TABLE 4

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Rents and Royalties</u>
1994	\$ 954,119	\$ 59,632	\$ 72,258	\$ -	\$ 741,402
1995	1,205,072	60,546	76,672	-	966,129
1996	1,228,102	61,172	75,121	-	909,514
1997	1,438,838	69,020	78,116	-	1,077,892
1998	1,032,737	71,419	82,938	-	738,791
1999	761,586	63,914	91,401	-	512,115
2000	1,132,510	69,233	122,670	-	1,043,416
2001	1,301,910	52,468	161,330	-	1,133,200
2002	989,602	63,459	157,119	11,712	603,389
2003	1,032,140	75,714	167,165	10,219	848,288

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

TABLE 4

<u>Premiums and Contributions</u>	<u>Interest and Invest Income</u>	<u>Federal</u>	<u>Payments in from Component Units</u>	<u>Other</u>	<u>Totals</u>
\$ -	\$ -	\$ 774,467	\$ -	\$ 90,292	\$ 2,692,170
-	-	814,251	-	150,824	3,273,494
-	-	926,980	-	112,674	3,313,563
-	-	942,567	-	120,766	3,727,199
-	-	957,272	-	134,967	3,018,124
-	-	1,029,328	-	97,284	2,555,628
-	-	1,216,447	-	141,032	3,725,308
-	-	1,297,840	-	240,397	4,187,145
9,308	205,049	1,535,949	-	134,775	3,710,362
10,015	202,732	1,749,007	80,728	17,624	4,193,632

STATE OF ALASKA
 STATE AID AND SHARED REVENUE TO DISTRICT SCHOOLS
 Last Ten Fiscal Years
 June 30, 2003
 (Stated in Thousands)

TABLE 5

Fiscal Year	Education Foundation Program	Cigarette Tax	Transportation Aid	Debt Retirement	Non-Resident Pupil Tuition
1994	\$ 617,354	\$ 2,721	\$ 29,360	\$ 98,649	\$ 1,743
1995	627,468	2,668	31,564	93,742	1,825
1996	639,464	2,655	32,842	80,322	1,732
1997	648,175	2,690	32,842	62,476	2,100
1998	653,155	2,608	35,195	61,640	2,068
1999	676,511	-	38,071	61,991	2,021
2000	672,309	-	41,915	64,350	2,117
2001	666,204	-	46,814	52,099	2,225
2002	677,182	-	50,564	54,057	2,225
2003	668,623	-	53,934	51,970	2,225

(a) Other Aids include:

1. Instructional services in handicapped schools	\$ 7,214
2. Instructional programs for youth in detention	1,100
	<u>\$ 8,314</u>

(b) Data for 1994 through 2003 includes State Correspondence School and Mt. Edgecumbe Boarding School.

(c) Not stated in thousands.

TABLE 5

<u>Other Aids (a)</u>	<u>Totals</u>	<u>Average Daily Membership (1st Qtr) (b)(c)</u>	<u>State Aid Cost Ratio Per Pupil (b)(c)</u>
\$ 3,989	\$ 753,816	\$ 121,429	\$ 6,208
4,143	761,410	122,511	6,215
4,539	761,554	124,753	6,104
4,651	752,934	126,464	5,954
4,750	759,416	129,425	5,868
4,724	783,318	132,905	5,894
4,747	785,438	131,696	5,964
5,415	772,757	132,256	5,843
5,415	789,443	132,670	5,950
8,314	785,066	132,485	5,926

STATE OF ALASKA
 ASSESSED AND FULL VALUE OF TAXABLE PROPERTY
 Last Ten Years
 June 30, 2003
 (Stated in Thousands)

TABLE 6

Calendar Year	Values Within Cities & Boroughs			
	Real Property		Personal Property	
	Assessed Value	Full Value	Assessed Value	Full Value
1993	\$ 19,263,773	\$ 20,411,013	\$ 2,621,355	\$ 4,418,487
1994	20,147,234	21,476,740	2,679,371	4,694,996
1995	21,274,993	22,622,971	2,560,465	4,602,147
1996	22,285,757	23,653,953	2,599,057	4,756,612
1997	23,820,717	25,691,808	2,666,315	4,852,884
1998	25,215,942	26,459,540	2,575,780	4,918,058
1999	26,536,533	28,127,982	2,582,718	5,272,520
2000	27,984,864	29,816,433	2,992,356	5,605,481
2001	29,482,507	32,139,890	3,046,808	5,791,733
2002	31,706,806	33,860,789	3,128,642	5,835,879

NOTE: Information obtained from Alaska Taxable 2002, published by Department of Community and Economic Development, Division of Community and Business Development, Office of the State Assessor.

TABLE 6

Total		All Areas	Ratio of Total Assessed to Total Full Value	
Assessed Value	Full Value	Full Value	Cities & Boroughs	All Areas
\$ 21,885,128	\$ 24,829,500	\$ 42,357,481	88.1%	51.7%
22,826,605	26,171,736	43,829,908	87.2%	52.1%
23,835,458	27,225,118	44,394,000	87.5%	53.7%
24,884,814	28,410,565	45,265,505	87.6%	55.0%
26,487,032	30,544,692	47,013,312	86.7%	56.3%
27,791,722	31,377,598	47,541,072	88.6%	58.5%
29,119,251	33,400,502	49,157,742	87.2%	59.2%
30,977,220	35,421,914	50,722,879	87.5%	61.1%
32,529,315	37,931,623	53,226,385	85.8%	61.1%
34,835,448	39,696,668	55,246,574	87.8%	63.1%

STATE OF ALASKA
 SCHEDULE OF NET GENERAL BONDED DEBT /
 PROPERTY VALUE RATIOS AND PER CAPITA
 Last Ten Years
 June 30, 2003
 (Stated in Thousands)

TABLE 7

Calendar Year	Population (a) (c)	Assessed Value Cities & Boroughs (b)	Full Value All Areas (b)	Gross General Bonded Debt
1993	596,906	\$ 21,885,128	\$ 42,357,481	\$ 105,520
1994	600,622	22,826,605	43,829,908	78,192
1995	601,581	23,835,458	44,394,000	39,101
1996	605,212	24,884,814	45,265,505	24,206
1997	609,655	26,487,032	47,013,312	10,891
1998	617,082	27,791,722	47,541,072	2,376
1999	622,000	29,119,251	49,157,742	-
2000	626,932	30,977,220	50,722,879	-
2001	634,892	32,529,314	53,226,385	-
2002	643,786	34,835,448	55,246,574	461,935

- (a) Population information was obtained from 2002 Census provided by Alaska Department of Labor and Workforce Development.
- (b) Information obtained from Alaska Taxable 2002, published by Department of Community and Economic Development, Division of Community and Business Development, Office of the State Assessor.
- (c) Not stated in thousands.

TABLE 7

<u>Less Debt Service Funds</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net General Bonded Debt to Assessed Value: Cities & Boroughs</u>	<u>Ratio of Net General Bonded Debt to Full Value: All Areas</u>	<u>Net General Bonded Debt Per Capita (c)</u>
\$ 343	\$ 105,177	0.5%	0.2%	\$ 176
148	78,044	0.3%	0.2%	130
-	39,101	0.2%	0.1%	65
7,700	16,506	0.1%	0.0%	27
-	10,891	0.0%	0.0%	18
668	1,708	0.0%	0.0%	3
-	0	0.0%	0.0%	0
-	0	0.0%	0.0%	0
-	0	0.0%	0.0%	0
38,000	423,935	1.2%	0.8%	659

STATE OF ALASKA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
 TO TOTAL GENERAL FUND EXPENDITURES AND UNRESTRICTED REVENUES
 Last Ten Fiscal Years
 June 30, 2003
 (Stated in Thousands)

TABLE 8

Fiscal Year	Principal	Interest	Total Debt Service	Total General Fund		Ratio of Debt Service to General Fund	
				Expenditures	Unrestricted Revenues	Expenditures	Unrestricted Revenues
1994	\$ 28,398	\$ 5,421	\$ 33,819	\$ 3,338,553	\$ 1,919,787	1.0%	1.8%
1995	20,221	2,696	22,917	3,312,357	2,458,698	0.7%	0.9%
1996	18,870	2,435	21,305	3,385,929	2,383,671	0.6%	0.9%
1997	14,895	1,601	16,496	3,350,248	2,788,733	0.5%	0.6%
1998	13,315	904	14,219	3,301,455	2,064,732	0.4%	0.7%
1999	8,515	324	8,839	3,434,008	1,522,285	0.3%	0.6%
2000	2,376	57	2,433	3,555,606	2,508,319	0.1%	0.1%
2001	-	-	0	3,757,893	2,829,037	0.0%	0.0%
2002	-	-	0	5,184,349	1,991,338	0.0%	0.0%
2003	-	-	0	5,582,387	2,270,106	0.0%	0.0%

NOTE: Expenditures include operating transfers for debt service.

STATE OF ALASKA
SCHEDULE OF REVENUE BOND COVERAGE
INTERNATIONAL AIRPORT FUND
Last Ten Fiscal Years
June 30, 2003
(Stated in Thousands)

TABLE 9

Fiscal Year	Revenue	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Ratio of Net Revenue to Debt Service Requirements
				Principal	Interest	Total	
1994	\$ 44,914	\$ 35,937	\$ 8,977	\$ 6,860	\$ 2,377	\$ 9,237	1.0
1995	48,959	36,291	12,668	3,390	2,276	5,666	2.2
1996	50,825	37,310	13,515	3,505	2,168	5,673	2.4
1997	55,799	40,510	15,289	3,640	2,041	5,681	2.7
1998	54,221	39,278	14,943	3,785	1,896	5,681	2.6
1999	52,184	40,901	11,283	3,970	1,735	5,705	2.0
2000	56,716	42,472	14,244	3,210	12,812	16,022	0.9
2001	73,922	44,798	29,124	1,135	11,613	12,748	2.3
2002	67,936	47,779	20,157	3,660	11,508	15,168	1.3
2003	76,753	54,686	22,067	6,300	18,642	24,942	0.9

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

GENERAL:

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

Employees Paid as of June 30:

	<u>Regular Full-Time</u>	<u>Regular Part-Time</u>	<u>Seasonal Full-Time</u>	<u>Seasonal Part-time</u>	<u>2003 Total</u>	<u>2002 Total</u>
Public Safety/Security Officers	431	-	-	-	431	412
Marine (Ferry)	794	-	-	-	794	744
General Government, Confidential, LTC	9,520	349	1,200	29	11,098	10,975
Supervisors	1,722	3	22	-	1,747	1,712
Firefighters	2	-	777	-	779	620
Teachers	73	6	-	-	79	95
National Guard	1	3	-	-	4	7
Exempt, Partially Exempt, and Excluded	1,229	186	66	3	1,484	1,567
Judicial Workers	636	54	-	1	691	685
Legislative Employees	389	8	-	63	460	448
Total Employees	14,797	609	2,065	96	17,567	17,265

Number of Votes Cast Compared to Number of Registered Voters:

	<u>Voted</u>	<u>Registered</u>	<u>Percentage Voting</u>
Last General Election - November 5, 2002	232,852	460,855	50.5%
Last Primary Election - August 27, 2002	115,340	453,248	25.4%
Last Special Election - September 14, 1999	186,087	446,245	41.7%

FIRE PROTECTION:

	<u>2003</u>	<u>2002</u>
Number of Fire Departments Registered with Fire Marshall	154	124
Number of Full-Time Firefighters	1,339	1,200
Number of Volunteer Firefighters	5,737	4,428

EDUCATION:

	<u>Number of Schools</u>	<u>Number of Certified Teachers</u>	<u>Initial Enrollment Students</u>
<u>Regional Education Attendance Areas (REAA):</u>			
Elementary	19	161	1,580
Secondary	9	113	1,269
P-12	125	957	11,734
<u>Cities/Boroughs:</u>			
Elementary	191	4,789	71,846
Secondary	10	1,999	33,018
P-12	84	674	13,856
Private and Denominational Schools:	49	167	5,202

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

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

EDUCATION:

Enrollment of Alaska Students - Last Ten Fiscal Years						
Fiscal Year	City and Borough	REAA'S	Private and Denominational Schools	Central Correspondence Study	Mount Edgecumbe	Enrollment All Schools
1994	110,180	14,061	4,581	1,425	282	130,529
1995	111,490	13,954	4,417	1,357	266	131,484
1996	111,700	14,429	3,981	1,351	282	131,743
1997	113,762	14,381	3,835	1,489	287	133,754
1998	115,484	13,942	3,383	1,569	308	134,685
1999	118,374	14,468	4,177	2,628	308	139,955
2000	118,192	14,630	2,472	1,240	329	136,863
2001	117,909	14,076	4,957	1,041	330	138,313
2002	118,806	14,204	5,293	1,017	331	139,651
2003	118,720	14,583	5,202	724	337	139,566

Alaska Colleges, Universities, and Community Colleges - Closing Enrollment - Last Ten Academic Years					
Fall Semester	University of Alaska Main Campuses (a)	University of Alaska Community College (a)	Alaska Pacific University	Sheldon Jackson College	Alaska Bible College
1993	31,883	1,220	1,665	280	53
1994	31,496	1,388	1,560	271	43
1995	31,032	1,477	1,464	223	54
1996	30,303	1,614	1,261	202	48
1997	29,521	1,663	863	185	43
1998	29,180	1,926	940	259	46
1999	28,697	1,552	1,083	235	37
2000	29,021	1,459	1,100	200	44
2001	29,198	1,427	1,292	253	44
2002	31,442	2,074	1,532	270	52
Spring Semester	University of Alaska Main Campuses (a)	University of Alaska Community College (a)	Alaska Pacific University	Sheldon Jackson College	Alaska Bible College
1994	32,088	1,744	2,000	277	52
1995	31,522	1,801	2,028	254	53
1996	31,427	1,570	1,762	257	43
1997	31,162	1,915	1,176	196	44
1998	30,115	2,017	1,034	169	39
1999	28,842	1,794	1,207	237	44
2000	28,002	1,900	1,186	188	36
2001	28,311	2,322	1,133	213	45
2002	29,159	2,302	1,200	219	43
2003	31,607	2,381	1,550	214	51

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

NOTE: Enrollment figures are head count enrollments.

NOTE: Fall 2001 and Spring 2002 Enrollment figures for University of Alaska Main Campuses and University of Alaska Community College have been corrected. The Community College count was included in the Main Campus count erroneously.

TRANSPORTATION:		
Miles of Public Highways:	2003	2002
Land Miles:		
State (DOT/PF) Maintained:		
Interstate	1,082	1,082
Other Principal Arterials	867	867
Minor Arterials	614	620
Collectors	2,399	2,406
Local	600	582
State (DOT/PF) Maintained Subtotal	<u>5,562</u>	<u>5,557</u>
Other State (DNR) Maintained:	<u>462</u>	<u>454</u>
Borough/Municipal/Community:		
Arterials	26	31
Collectors	319	312
Local	5,443	5,359
Borough/Municipal/Community Subtotal	<u>5,788</u>	<u>5,702</u>
Federal Agency Maintained:		
U.S. Forest Service	1,081	1,267
U.S. Fish & Wildlife Service	57	57
National Parks	134	134
BIA/ Indian Nations	760	194
U.S. Corps of Engineers	12	7
U.S. Dept. of Defense	251	251
U.S. Coast Guard	2	5
Federal Agency Maintained Subtotal	<u>2,297</u>	<u>1,915</u>
Total Land Miles	<u>14,109</u>	<u>13,628</u>
Ferry Miles:		
State (DOT/PF) Maintained:		
Arterials	1,296	1,326
Collectors	1,085	979
Local	485	470
Total Ferry Miles	<u>2,866</u>	<u>2,775</u>
Total Miles of Public Highways	<u>16,975</u>	<u>16,403</u>

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

Total Air Carrier Activity State of Alaska International Airports Last Ten Fiscal Years							
Fiscal Year	Landings		Passengers			Freight (tons)	
	Jets	Total	In	Out	Through	In	Out
1994	53,106	106,132	2,248,391	2,259,209	572,303	90,478	141,625
1995	52,897	113,315	2,413,614	2,407,308	627,781	95,293	149,505
1996	54,736	110,763	2,412,824	2,428,340	699,884	95,440	148,380
1997	59,164	117,379	2,548,920	2,547,063	802,424	90,903	149,686
1998	66,301	122,576	2,532,369	2,531,986	779,953	103,288	159,669
1999	66,831	114,815	2,522,005	2,538,998	734,715	227,259	253,329
2000	69,901	119,372	2,588,078	2,600,238	694,662	247,658	266,363
2001	71,075	122,179	2,653,474	2,658,282	675,390	242,323	262,935
2002	70,161	121,722	2,624,631	2,634,245	513,076	236,834	259,036
2003	72,663	121,596	2,614,179	2,608,440	446,000	257,715	277,857

RECREATION:		
Number of Acres:	2003	2002
Federal Parks and Monuments	54,664,000	54,700,000
Federal Wildlife Refuges and Conservation Areas	76,711,292	76,739,292
Federal Forests	21,983,424	21,987,024
State Parks System	3,353,276	3,303,290
State Forests	2,243,100	2,243,100
State Public Reserves and Rivers	2,598,430	2,598,430
Other State Conservation Preserves, Game Refuges, Sanctuaries, and Critical Habitat Areas	3,193,560	3,150,000
Other Government, Local Government/Municipal	32,620	29,000
Total Number of Acres	<u>164,779,702</u>	<u>164,750,136</u>

POPULATION:

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

Age Distribution of Population:

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

NOTE: Data for 1950 through 1999 were obtained from Alaska Population Overview - 2000 Estimates, published by Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit.
 2000 data was obtained from U.S. Census Bureau 2000 Census of Population & Housing Summary File.
 2001 and 2002 data received from Alaska Census Data Population Estimates, published by Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit.

NOTE: Data for 2001 has been updated to reflect corrected figures obtain from the Department of Labor and Workforce Development.

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

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

POPULATION OF CORRECTIONAL FACILITIES:		
<u>Adult:</u>	<u>2003</u>	<u>2002</u>
Mat-Su Pretrial Facility	68	75
Yukon-Kuskokwim Correctional Center	112	94
Cook Inlet Pretrial Facility	393	380
Meadow Creek Correctional Center	74	78
Hiland Mountain Correctional Center	215	195
Fairbanks Correctional Center	242	206
Lemon Creek Correctional Center	167	166
Ketchikan Correctional Center	51	63
Nome Correctional Center	113	96
Palmer Correctional Center - Minimum	175	174
Palmer Correctional Center - Medium	206	212
Wildwood Correctional Center	254	245
Wildwood Pretrial Facility	96	106
Spring Creek Correctional Center	482	487
Point MacKenzie	93	96
Alaska Prisoners in Federal Bureau of Prison Facilities Arizona and State of Minnesota Prison Facilities	676	630
State Prisoner Holding Facilities:		
Institutional Tents - Statewide	-	22
Community Residential Centers	668	694
Community Treatment Centers	34	24
Local Community Jails	54	79
Electronic Monitoring	136	98
CRC Offender Supervision (Home Arrest)	27	36
Anchorage Jail	412	388
Total Adult Population of Correctional Facilities	<u>4,748</u>	<u>4,644</u>
<u>Juvenile:</u>	<u>2003</u>	<u>2002</u>
McLaughlin Youth Center	189	180
Fairbanks Youth Facility	36	36
Nome Youth Facility	9	7
Johnson Youth Center	28	32
Bethel Youth Facility	24	19
Mat-Su Youth Facility	14	11
Ketchikan Regional Youth Facility	5	-
Total Juvenile Population of Correctional Facilities	<u>305</u>	<u>285</u>

NOTE: The Ketchikan Regional Youth Facility opened the last quarter of FY2002. Annual statistical information was not available until FY2003.



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

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Building Safety Account	AS 44.31.025	No	GF	3.11, 3.12
Child Care Facility Revolving Loan	AS 44.33.240	Yes	CAEF	4.11 - 4.13
Clean Air Protection	AS 46.14.260 and Federal Clean Air Act	Yes	SRF	3.31-3.33
Commercial Fishing Revolving Loan	AS 16.10.340	Yes	CAEF	4.11 - 4.13
Commercial Passenger Vessel Environmental Compliance	AS 46.03.482	No	GF	3.11, 3.12
Constitutional Budget Reserve	Constitution, Art. IX, sec. 17	Yes	GF	3.11, 3.12
Correctional Industries	AS 33.32.020	Yes	ISF	4.41 - 4.43
Deferred Compensation	AS 39.45.010	Yes	PTF	5.01, 5.02
Deposits, Suspense, and Miscellaneous Agency Funds		Yes	AF	5.11, 5.12
Disaster Relief	AS 26.23.300	No	GF	3.11, 3.12
Donated Commodity Fee	USC 7 CFR, Part 250	No	GF	3.11, 3.12
Educational and Museum Facility Design, Construction and Major Maintenance (GO Bonds)	Ch 2, SSSLA 2002	Yes	CPF	3.51, 3.52
Educational Facilities Maintenance and Construction	AS 37.05.560	No	GF	3.11, 3.12
Election	Federal H.R. 3295	No	GF	3.11, 3.12
Employment Assistance and Training Program Account	AS 23.15.625	No	GF	3.11, 3.12
Exxon Valdez Oil Spill Investment Trust	Public Law 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	AS 44.33.115	No	GF	3.11, 3.12
Community Grant				
Exxon Valdez Settlement Trust	AS 37.14.400	Yes	SRF	3.31 - 3.33
FHWA - Airspace Leases	Section 156 of the USSTURAA of 1987	No	GF	3.11, 3.12
FICA Administration	AS 39.30.050	No	GF	3.11, 3.12
Fish and Game	AS 16.05.100	Yes	SRF	3.31 - 3.33
Fisheries Disaster	P.L. 108-7, SEC 2, Division N, Title V - Fisheries Disaster, Sec. 501 (a)	No	GF	3.11, 3.12
Fisheries Enhancement Revolving Loan	AS 16.10.505	Yes	CAEF	4.11 - 4.13
Fishermen's	AS 23.35.060	Yes	SRF	3.31 - 3.33
Fuel Emergency	AS 26.23.400	No	GF	3.11, 3.12
Fund for the Improvement of School Performance	AS 14.03.125	No	GF	3.11, 3.12
General Fund	Operating fund of the State	Yes	GF	3.11, 3.12
General Obligation Bond Redemption	Various SLA's	Yes	DSF	3.41, 3.42
Group Health and Life Benefits	AS 39.30.095	Yes	ISF	4.41 - 4.43
Highways Equipment Working Capital	AS 44.68.210	Yes	ISF	4.41 - 4.43
Historical District Revolving Loan	AS 45.98.010	Yes	CAEF	4.11 - 4.13
Impact Aid PL 103-382	Federal funds passed through to school districts	Yes	AF	5.11, 5.12
Information Services	AS 44.21.045	Yes	ISF	4.41 - 4.43

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International Airports	AS 37.15.410-550	Yes	EF	1.21-1.23
Investment Loss Trust	AS 37.14.300	No	SBS	
Judicial Retirement System	AS 22.25.048	Yes	PTF	5.01, 5.02
Major Maintenance Grant	AS 14.11.007	No	GF	3.11, 3.12
Memorial Education Revolving Loan	AS 14.43.255	Yes	GF	3.11, 3.12
Mining Revolving Loan	AS 27.09.010	Yes	CAEF	4.11 - 4.13
Municipal Capital Project Matching Grant	AS 37.06.010	No	GF	3.11, 3.12
National Petroleum Reserve	AS 37.05.530	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation Bond Redemption	AS 18.56.086	Yes	DSF	3.41, 3.42
Oil and Hazardous Substance Release Prevention and Response Fund	AS 46.08.010	No	GF	3.11, 3.12
Oil and Hazardous Substance Release Prevention Mitigation Account	AS 46.08.020(b)	No	GF	3.11, 3.12
Oil and Hazardous Substance Release Response Mitigation Account	AS 46.08.025(b)	No	GF	3.11, 3.12
Permanent Fund Dividend	AS 43.23.045	Yes	GF	3.11, 3.12
Public Advocacy Trust	AS 44.21.410	Yes	AF	5.11, 5.12
Public Employees' Retirement System	AS 39.35.020	Yes	PTF	5.01, 5.02
Public School Trust	AS 37.14.110	Yes	PF	3.01, 3.02
Railbelt Energy	AS 37.05.520	No	GF	3.11, 3.12
Randolph - Sheppard Small Business	AS 23.15.130 and 20 USC 107-107(f)	No	GF	3.11, 3.12
Real Estate Surety	AS 08.88.450	No	GF	3.11, 3.12
Reclamation Bonding Pool	AS 27.19.040	Yes	SRF	3.31 - 3.33
Residential Energy Conservation	AS 45.89.010	Yes	EAEF	4.21 - 4.23
Retiree Health and Life Benefits	AS26.05.022, AS22.25.048, AS39.35.020, AS14.25.010	Yes	PTF	5.01, 5.02
School	AS 43.50.140	Yes	SRF	3.31 - 3.33
School Construction Grant	AS 14.11.005	No	GF	3.11, 3.12
School Trust Land Sales	Attorney General Opinion	No	GF	3.11, 3.12
Second Injury	AS 23.30.040	Yes	SRF	3.31 - 3.33
Small Business Revolving Loan	AS 45.95.060	Yes	CAEF	4.11 - 4.13
State Insurance Catastrophe Reserve	AS 37.05.289	No	GF	3.11, 3.12
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.11, 3.12
State Land Reforestation	AS 41.17.300	No	GF	3.11, 3.12
Storage Tank Assistance	AS 46.03.410	No	GF	3.11, 3.12
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) and 44.68.130	No	GF	3.11, 3.12
TAPS Rebate	Federal Public Law 101-380	No	GF	3.11, 3.12
Teachers' Retirement System	AS 14.25.010	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580	No	GF	3.11, 3.12
Training and Building	AS 23.20.130(d)	No	GF	3.11, 3.12

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Transportation Project	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
Unemployment Compensation	AS 23.20.130	Yes	OAEF	4.31 - 4.33
Unincorporated Community Capital Project Matching Grant	AS 37.06.020	No	GF	3.11, 3.12
University of Alaska	AS 14.40.040	Yes	DPCU	1.41, 1.42
Vocational Rehabilitation Small Business Enterprise Revolving	AS 23.15.130	No	GF	3.11, 3.12
Wage and Hour Trust		Yes	AF	5.11, 5.12
Workers' Safety and Compensation Administration Account	AS 23.05.067	No	GF	3.11, 3.12

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LEGEND OF ACRONYMS

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