

State of Alaska

Comprehensive Annual Financial Report

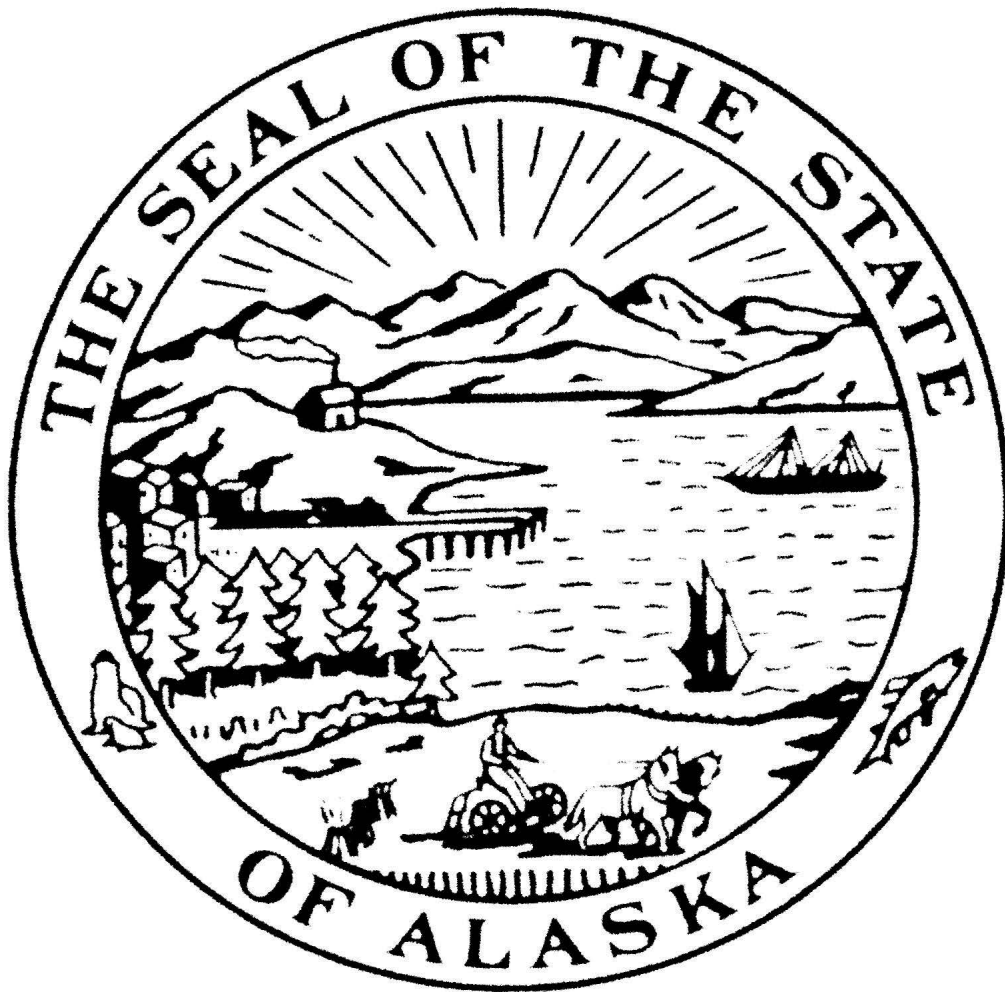
**For the Fiscal Year
July 1, 2017 - June 30, 2018**



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

The FY 18 CAFR is expected to be available on or after February 28, 2019 on our Internet web site at <http://doa.alaska.gov/dof/reports/cafr.html>.

This publication was released by the Department of Administration, Division of Finance to report on the State's financial status. This publication is required by AS 37.05.210



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**STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018**

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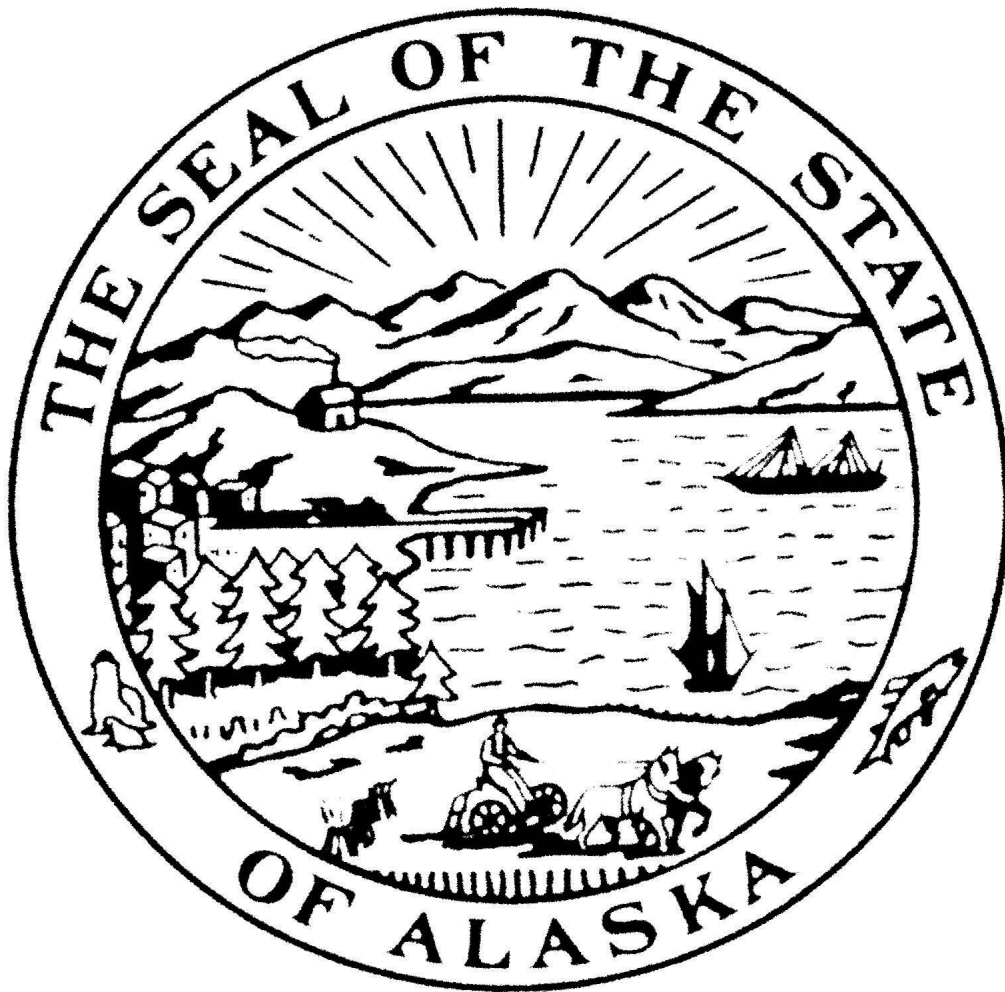
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THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Administration

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February 19, 2019

The Honorable Michael J. Dunleavy, 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, 2018. This report has been prepared by the Department of Administration, Division of Finance. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the State. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the State. Statistical and demographic information are included to enable the reader to gain an understanding of the State's financial activities.

INTRODUCTION

Internal Controls

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

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

Audits

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

2018, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

In addition to the annual audit of the State's CAFR, the State is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Uniform Grant Guidance 2 CFR Part 200. Information related to this single audit, including a schedule of expenditures of federal awards, the auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be published at a later date under separate cover by the Division of Legislative Audit.

Management's Discussion and Analysis

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

PROFILE OF THE STATE OF ALASKA

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

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

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

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

Budgetary Control

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

ECONOMIC CONDITION AND OUTLOOK

Economy

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

The following table shows General Fund revenues by category for the current and previous fiscal year. The largest source of revenues is federal at \$3.1 billion, which makes up 51.2 percent of revenues. Revenue related to taxes and rents and royalties increased from 27.1 percent to 39.5 percent of all General Fund Revenues. Interest and investment income was \$145.7 million or 2.4 percent of all General Fund revenues. Overall General Fund revenues increased \$742.3 million or 13.9 percent from FY 17 to FY 18.

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.

Revenue Source	FY18	Percent	FY17	Percent
Taxes	\$ 1,315.9	21.6%	\$ 658.3	12.3%
Rent and Royalties	1,094.0	17.9	790.8	14.8
Interest and Investment Income/(Loss)	145.7	2.4	243.8	4.5
Federal	3,124.6	51.2	3,198.2	59.7
Miscellaneous	420.1	6.9	466.9	8.7
Total Revenue	<u>\$ 6,100.3</u>	<u>100%</u>	<u>\$ 5,358.0</u>	<u>100%</u>

The total expenditures charged against General Fund appropriations during FY 18 amounted to \$9.1 billion. There was a slight increase, \$18.8 million, from FY 17. The relatively unchanged level of General Fund expenditures is attributable to smaller operating and capital budgets as policymakers work toward resolving deficits resulting from lower oil prices. Expenditures by department are compared with the prior year in the following table:

Department Expenditures (stated in millions)	FY18	Percent	FY17	Percent
Office of the Governor	\$ 35.7	0.4%	\$ 27.2	0.3%
Administration	249.6	2.8	314.0	3.5
Law	56.8	0.6	51.9	0.6
Revenue	820.7	9.0	791.1	8.7
Education and Early Development	1,665.6	18.3	1,644.4	18.1
Health and Social Services	3,153.6	34.7	3,067.6	33.8
Labor and Workforce Development	121.8	1.3	120.1	1.3
Commerce, Community, and Economic Development	335.6	3.7	295.0	3.3
Military and Veterans' Affairs	67.8	0.8	78.0	0.9
Natural Resources	147.9	1.6	166.5	1.8
Fish and Game	144.6	1.6	148.1	1.6
Public Safety	172.7	1.9	169.5	1.9
Environmental Conservation	106.8	1.2	110.9	1.2
Corrections	307.2	3.4	304.0	3.4
Transportation and Public Facilities	1,138.1	12.5	1,197.9	13.2
Legislature	63.1	0.7	81.9	0.9
Debt Service	49.2	0.6	44.1	0.5
Alaska Court System	109.4	1.2	111.3	1.2
University	339.8	3.7	343.7	3.8
Total Expenditures	<u>\$ 9,086.0</u>	<u>100.0%</u>	<u>\$ 9,067.2</u>	<u>100.0%</u>

Major Industry

Alaska North Slope oil prices averaged approximately \$64 per barrel during FY 18. The Alaska Department of Revenue's most recent forecast was \$63 per barrel for FY 19 and \$64 per barrel for FY 20. Forecasting oil prices is inherently difficult and very uncertain.

Although oil prices rose in FY 18, the major over-riding concern in the oil industry remains uncertainty in price, and the cascading effects throughout the State's economy. In terms of oil production, output has stabilized over the past several years, averaging just over 500,000 barrels per day. Although the State uses conservative estimates of future production for planning purposes, potential future developments hold promise that production may continue at current levels or even increase in coming years. Examples include Armstrong's Pikka unit which could potentially deliver over 100,000 barrels of oil per day and would be a significant event for the future of North Slope oil production. Other new developments include ConocoPhillips' Willow project, Caelus' Smith Bay project, continued development in the National Petroleum Reserve - Alaska (NPR-A) and opportunities for new drilling within existing fields.

The economic effect of low oil prices has been compounded by cuts in state government spending. Tax credits were significant for several new developments over the past half-decade. Statutory changes

during the 2016 and 2017 legislative sessions eliminated many of these credits, providing a more stable fiscal regime than the State can afford to maintain in a low price environment.

Efforts to monetize the massive natural gas accumulations on Alaska's North Slope continue. Recent developments in this effort include a state-owned corporation, the Alaska Gasline Development Corporation (AGDC) taking the lead on the project. AGDC has signed an important Memorandum of Understanding with a potential Asian buyer, and also has received a determination of tax-exempt status from the Internal Revenue Service. Both of these milestones increase the economic viability of the project in light of low natural gas prices. Aside from a major gas project, potential also exists to use North Slope gas reserves to support crude oil production through enhanced oil recovery and gas drive techniques.

In an effort to attract other industries and investments to Alaska, Governor Dunleavy established a committee of experts in the fields of finance, marketing, and research.

Long-term Financial Planning

During fiscal year 2018 all three rating agencies had downgraded the State an additional notch by November 2, 2017, and all maintained a negative outlook on the State's credit. By June 30, 2018 all three ratings outlooks have been revised to stable. As of November 26, 2018, Fitch and S&P rate Alaska at 'AA' and Moody's at 'Aa3.'

Net position at June 30, 2018 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$18.5 billion and \$8.9 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2017 actuarial valuations indicated the actuarial accrued liabilities were 66.7 percent pensions and 93.9 percent postemployment funded for PERS, and 75.9 percent pension and 96.9 percent postemployment funded for TRS. Further information on these and other pension funds, including the Supplemental Benefits System and Deferred Compensation plans, can be found in Notes 7, 8, and 9 to the basic financial statements.

Alaska's fiscal challenges are a direct result of the decline in oil prices in recent years and continued deterioration in production. Between 1980 and 2014, oil revenues accounted for an average of 84 percent of all unrestricted revenue. At the time the FY 19 budget was enacted, unrestricted general fund revenues were projected to be \$2.3 billion with an additional \$1.2 billion being supported by designated fund sources. This level of unrestricted revenue is down 67 percent since FY 13.

In Governor Dunleavy's State of the State address, the Governor made a commitment that his budget will be an honest budget with expenditures equaling revenues. The Governor declared a commitment to developing a permanent fiscal plan to put the State on solid footing for decades to come.

Relevant Financial Policies

Spending Limitation

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

Investments

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

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

Cash Flow and Revenue Shortfalls

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

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

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

Also contributing to the potential for a cash deficiency is the fact that the inflow of unrestricted revenues does not mirror the outflow of cash expenditures. Revenues and expenditures are cyclic with high and low periods, which do not necessarily coincide. The first quarter expenditures of each fiscal year are generally higher than revenues for the same period. Clearly, if the General Fund (excluding the subfunds) does not have a large cash balance at the beginning of the fiscal year or if other sources of funds are not available, the State faces the possibility of a cash deficiency before the end of the first quarter. A memorandum of understanding outlines the steps to be taken in various scenarios involving a cash deficiency.

Borrowing from the budget reserve funds has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by

including language in the appropriation act permitting the executive branch to borrow cash from the SBRF and the CBRF in the event expenditures exceeded revenues; which did occur in several years. All borrowings from the CBRF were repaid by FY 10. In FY 18 borrowing from the CBRF for both cash flow shortages and the insufficiency of the unrestricted fund balance of the General Fund to cover General Fund appropriations occurred. The Alaska Constitution requires these amounts be repaid to the CBRF. For FY 18 the amount to be repaid is \$743.9 million.

Initiatives

On December 3, 2018, Governor Michael Dunleavy took the oath of office becoming the 12th Governor of the State of Alaska. Governor Dunleavy was elected to be an agent of change. His administration's core priorities are to make Alaska safe again, preserve the Permanent Fund Dividend program on behalf of every Alaskan, reduce state spending, get the economy moving again, champion rural schools, and uphold constitutional rights.

To address crime and safety, additional State Troopers will be funded, more local control will be provided, more prosecutors will be provided, courts will remain open five days a week, resources will be provided to combat opiate related crimes, and legislation addressing crime will be overhauled.

Governor Dunleavy centralized the budget-making functions of all departments under the Office of Management and Budget in an effort to focus on the basic functions of government by realigning programs and operations to eliminate duplication and prioritize each agency's core mission.

All State agencies are reporting program performances that describe the results of their service efforts and accomplishments. This information is available on the Office of Management and Budget web site at <http://www.omb.alaska.gov>.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alaska for its CAFR as of and for the fiscal year ended June 30, 2017. This is the 14th year the State of Alaska has received this award on the CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports. It represents a significant accomplishment by a government and its management.

To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for only a one year period.

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

Sincerely,

// signature on file //

Kelly Tshibaka
Commissioner
Department of Administration

// signature on file //

Dan DeBartolo
Acting Director
Division of Finance

// signature on file //

Katina Holmberg, CPA
State Accountant
Division of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

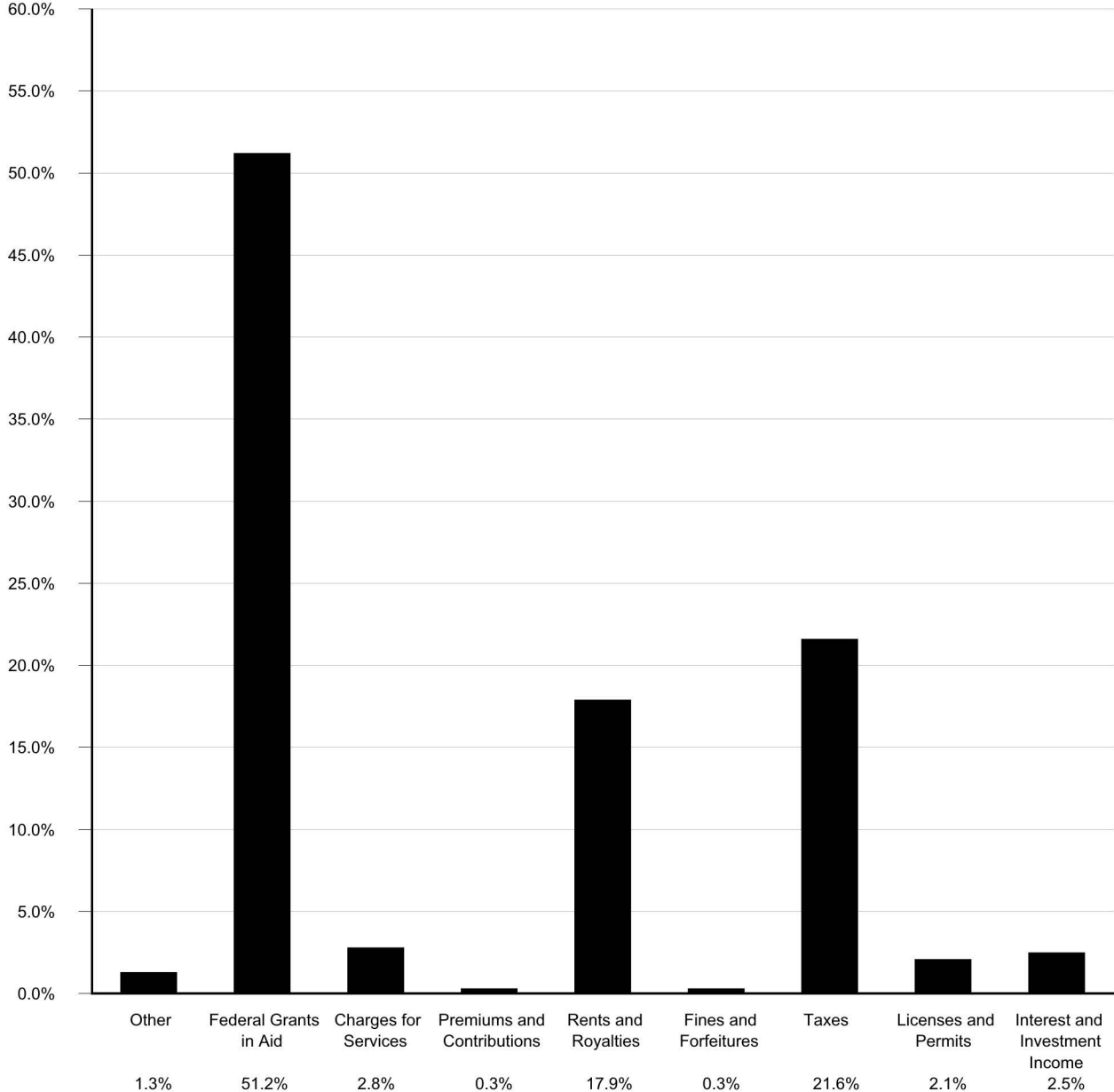
Christopher P. Morrill

Executive Director/CEO

STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

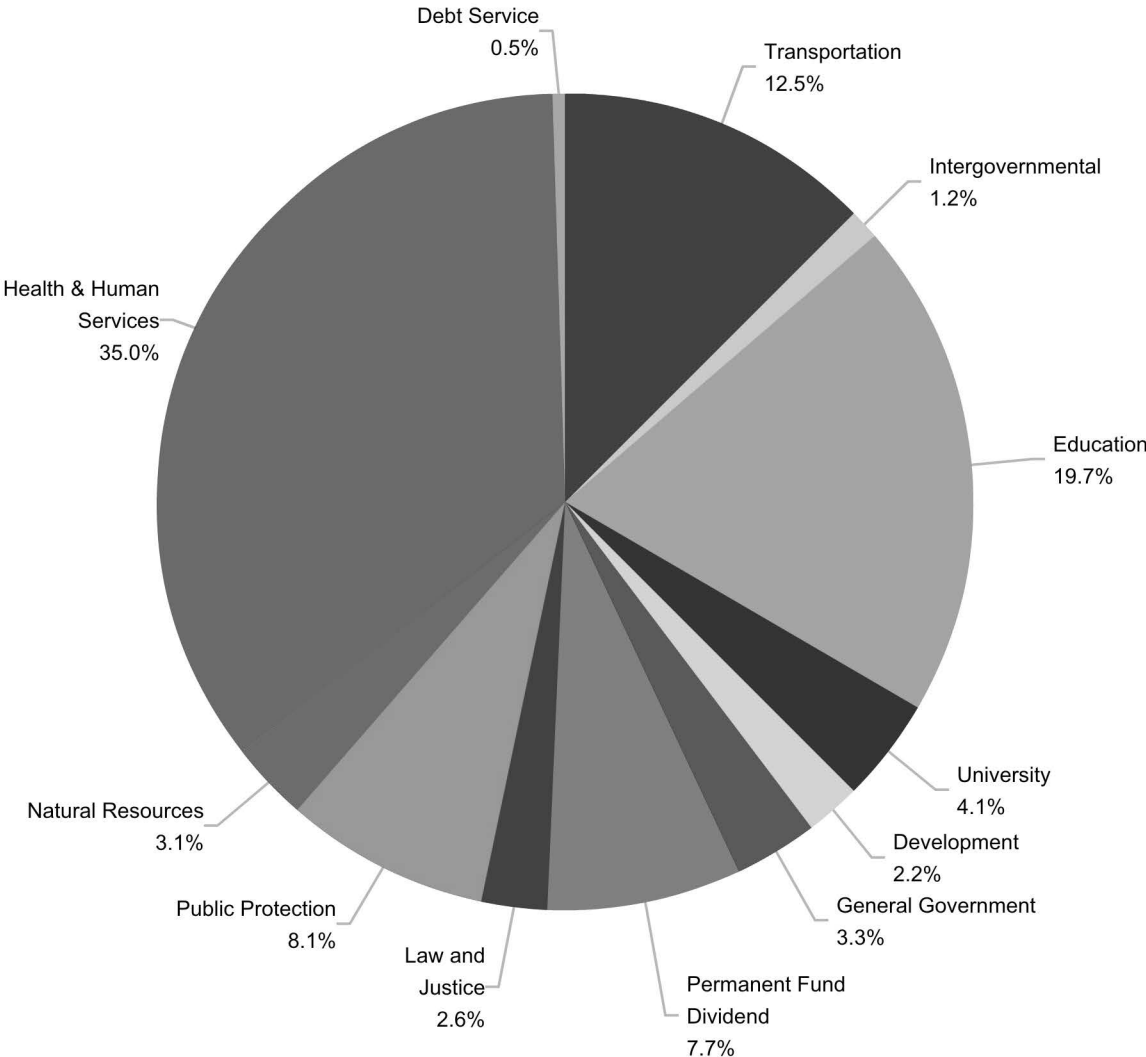
\$6.100
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

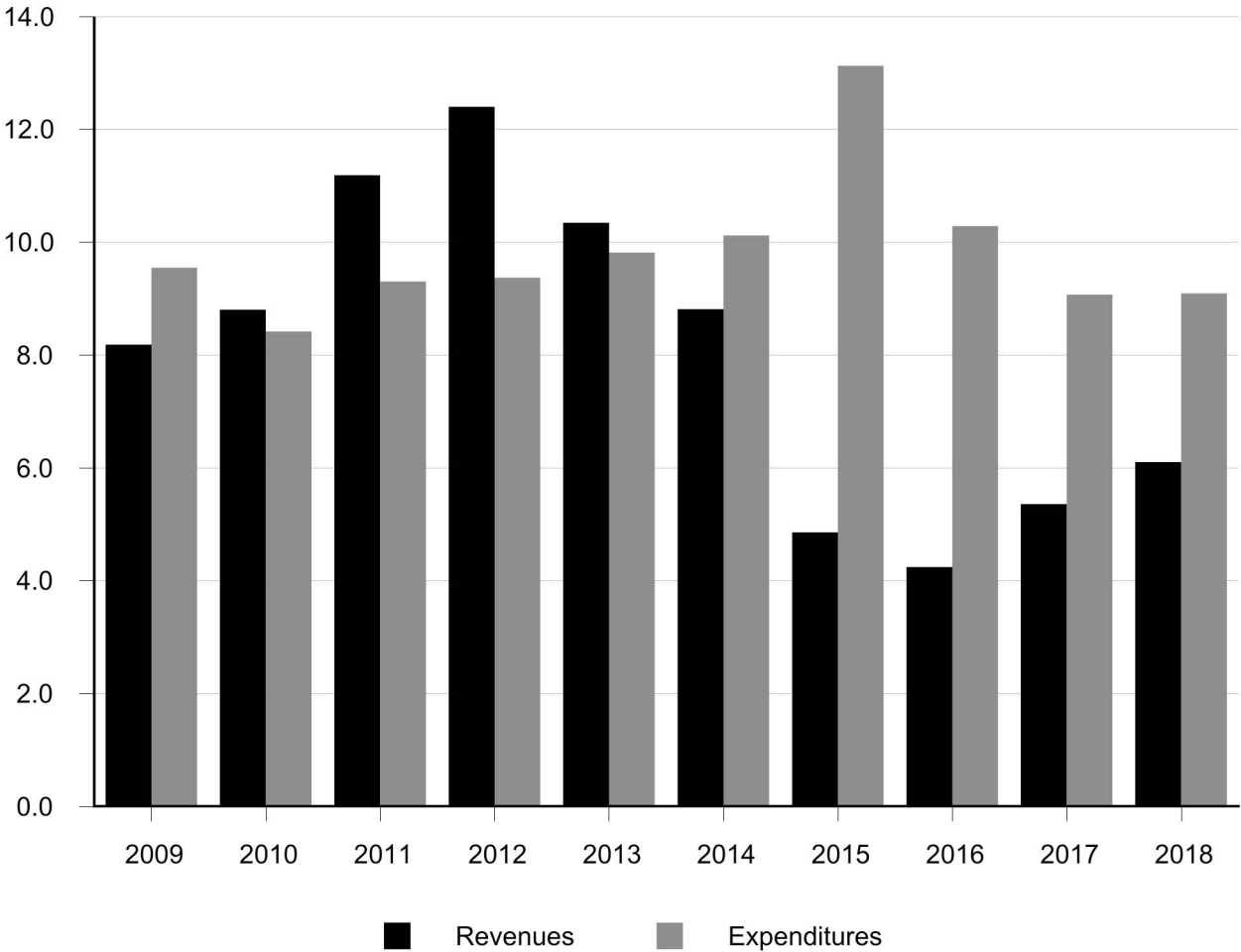
\$9,093
(Millions)



STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

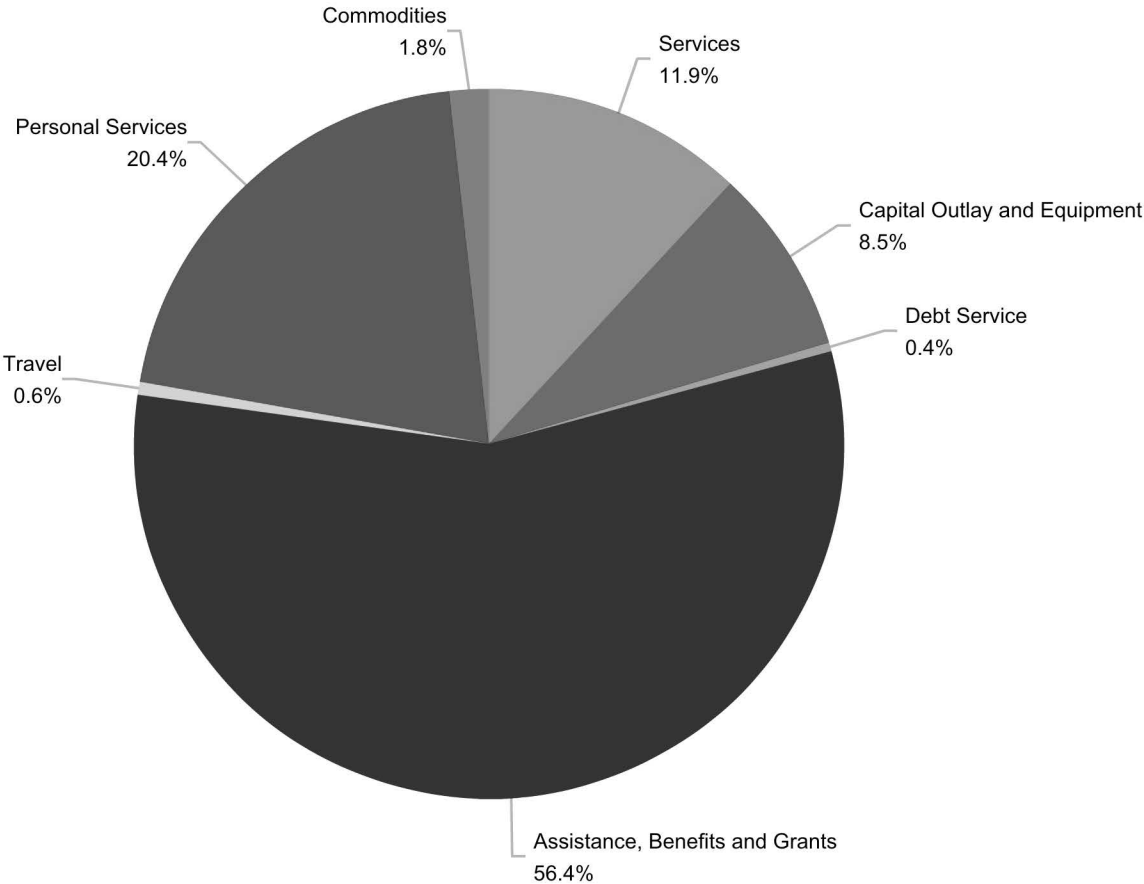
TEN YEAR COMPARISON
FOR THE FISCAL YEARS 2009 THROUGH 2018

(Stated in Billions)



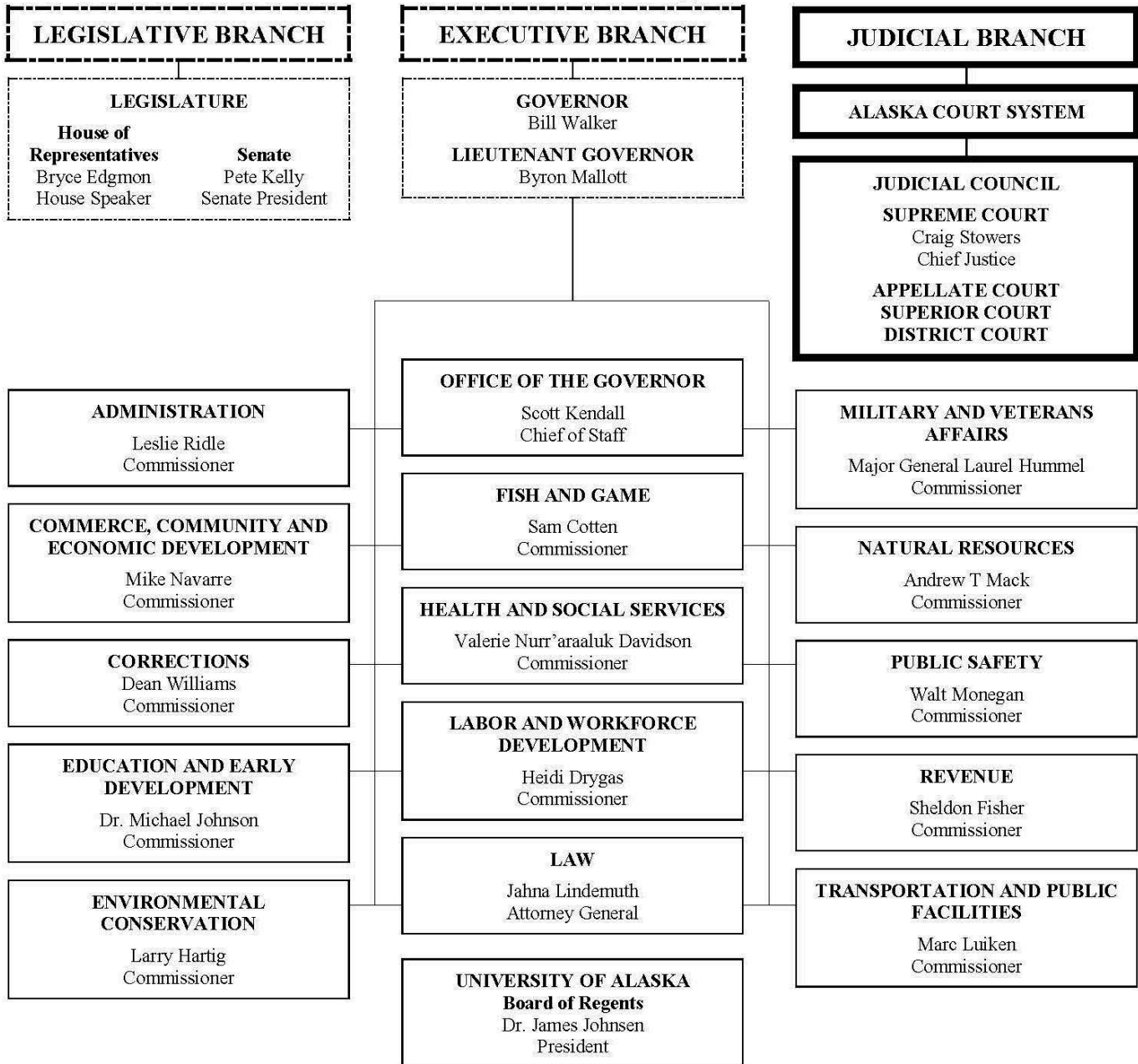
STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



STATE OF ALASKA ORGANIZATION CHART

As of June 30, 2018



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

FUNCTIONS OF STATE DEPARTMENTS

OFFICE OF THE GOVERNOR

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

ADMINISTRATION

The Department of Administration centralizes services to provide more efficient, cost-effective support to state agencies and Alaskans. Services to state agencies include: Labor Relations and Personnel, Finance (payroll, accounting, and disbursements), Shared Services of Alaska (purchasing, surplus property, mail, managing public buildings, and leases), Risk Management, Office of Information Technology (telecommunications and computer services), Retirement and Benefits (public employers, public employees, and retirees), and Shared Services (purchasing, surplus property, mail, managing public buildings, managing leases, accounts payable, debt collections, travel reimbursements, and credit card reconciliations).

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

COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

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

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

CORRECTIONS

The Department of Corrections is responsible for public safety through the incarceration and supervision of offenders. The department operates 12 correctional facilities and jails that provide secure confinement and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; assessment and supervision of pretrial offenders in the community; supervision and case management of probationers

and parolees in the community; and oversight of 15 small community jails. Also included in the department is the Alaska Board of Parole, a quasi-judicial board that makes all parole related decisions.

EDUCATION AND EARLY DEVELOPMENT

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

ENVIRONMENTAL CONSERVATION

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

To accomplish these results, the department develops and enforces standards for protection of the environment and the abatement of pollution to air, land, and water; and controls sanitary practices related to food, drinking water, and solid waste. Services to communities include financial and technical assistance for upgrading water, sewage, and solid waste; assistance meeting health-based standards for air quality; and positioning oil spill response equipment for preparedness and cleanup of oil and hazardous substance releases.

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

FISH AND GAME

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

The Boards of Fisheries and Game are responsible for adopting regulations to conserve and develop the state's fish and wildlife

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

HEALTH AND SOCIAL SERVICES

The Department of Health and Social Services' mission is to promote and protect the health and well-being of Alaskans. The department and its eight divisions focus on three priority areas: health and wellness across the lifespan; health care access, delivery, and value; and safe and responsible individuals, families, and communities. Within these three priority areas, the department's seven core services are to: protect and promote the health of Alaskans; provide quality of life in a safe living environment for Alaskans; manage health care coverage for Alaskans in need; facilitate access to affordable health care for Alaskans; strengthen Alaska families; protect vulnerable Alaskans; and promote personal responsibility and accountable decisions by Alaskans.

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

The department is committed to prevention of illness, health promotion and protection, and emergency preparedness through the Division of Public Health; and the Division of Behavioral Health oversees community-based mental health and substance abuse services across the continuum of care (prevention, early intervention, treatment, and recovery programs), including operation of the Alaska Psychiatric Institute.

LABOR AND WORKFORCE DEVELOPMENT

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

LAW

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

MILITARY AND VETERANS AFFAIRS

The Department of Military and Veterans' Affairs provides forces to accomplish military missions in the state and around the world; provides homeland security and defense; emergency response; veterans' services; and youth military-style training and education. The commissioner serves as the Adjutant General of the State of Alaska with command authority of approximately 4,000 Army and Air guardsmen of the Alaska National Guard, and oversees or supports additional entities to or aligned with the department:

Alaska Air Guard - Provides mission-ready forces to protect the public safety of the citizens of Alaska by supporting civil authorities and local communities in which we work and live. Additionally, provides combat capability in support of federal missions.

Alaska Army Guard - Maintains ready units and soldiers that are available to support the Governor and fellow Alaskans for domestic operations while also ready to deploy worldwide in support of the National Military Strategy.

Joint Force Headquarters - Coordinates domestic operations and provides specific capabilities to local, tribal, state and federal government agencies in response to incidents that exceed their capacity.

Alaska State Defense Force - A volunteer organization who augments and supports the Alaska National Guard in various missions including communications, emergency management, medical, logistical support, chaplaincy, and shelter management.

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

Division of Homeland Security & Emergency Management - Leads the way in emergency management to foster a prepared, resilient Alaska capable of meeting the needs of its communities and citizens in response to all-hazards events.

Office of Veterans' Affairs - Serves as the primary advocate for Alaska's veterans and strives to help veterans and their families improve their lives.

Alaska Military Youth Academy - Helps intervene in and reclaim the lives of Alaska's at-risk youth and produce graduates with the values, skills, education, and self-discipline to succeed as adults.

Administrative Services - Provides effective and efficient administrative, budget, financial management, human resources, information technology, and procurement products and services.

Alaska Aerospace Corporation - Administratively aligned within the department with separate and independent legal existence;

provides integration, checkout, and launch facilities to Government and commercial customers from the Nation's only high latitude, full service spaceport. Other key services include Mobile Range Instrumentation and Meteorological Forecasting.

NATURAL RESOURCES

The Department of Natural Resources manages the majority of state-owned land, water and natural resources, except fish and game. These resources include approximately 100 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: Responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest; foster responsible commercial development and use of state land and natural resources consistent with the public interest, for long-term wealth and employment; mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geological hazards; provide access to state lands for public and private use, settlement, agricultural development, and recreation; ensure sufficient data acquisition and assessment of land and resources to foster responsible resource development; and promoting and developing an agriculture industry.

The department serves the state from offices located in 28 Alaskan communities, and encompasses the divisions of Agriculture; Forestry; Geological and Geophysical Surveys; Mining, Land and Water; Oil & Gas; Parks and Outdoor Recreation, and Support Services; the Office of Project Management and Permitting; the Mental Health Trust Land Office; the Seismic Hazards Safety Commission, and the Board of Agriculture & Conservation.

The department is responsible for managing the resources and revenues associated with the two largest oil and gas fields in North America and over 4.5 million acres of oil and gas leases; a park system that contains one-third of the nation's state park lands; 40% of the nation's fresh water; fire suppression management for over 134 million acres; forest resource management in three state forests totaling over 2 million acres; mineral management involving over 34,000 mining claims and leases encompassing approximately 3 million acres; agricultural programs that promote, develop, inspect, and provide technical assistance and lending services to over 750 farms; a comprehensive archive of indigenous plant materials; and a geologic sample archive representing more than 48 million feet of oil and gas exploration and production drilling, and 300,000 feet of mineral exploration core drilling throughout the state. The department also serves as the USDA representative for phytosanitary inspection, food safety education and retail surveillance.

PUBLIC SAFETY

The Department of Public Safety is responsible for the enforcement of state laws including criminal and fish and wildlife protection laws, fire and life safety, search and rescue, and highway safety laws; maintaining Alaska's central repository of criminal history record information and automated fingerprint identification system; providing forensic crime laboratory services to law enforcement statewide; certifying police proficiency; providing basic police academy and specialized training to municipal and state law enforcement agencies; certifying fire service personnel; oversight of the Village Public

Safety Officer program; and assisting victims of domestic violence and sexual assault.

REVENUE

The Department of Revenue's responsibilities include: administration and enforcement of Alaska's tax laws; management of the treasury; administration of the Permanent Fund Dividend Program; collection and distribution of child support; and administrative support to the following independent boards and corporations: Alaska Permanent Fund Corporation; Alaska Housing Finance Corporation; Alaska Municipal Bond Bank Authority; Alaska Retirement Management Board; and the Alaska Mental Health Trust Authority.

TRANSPORTATION AND PUBLIC FACILITIES

The Department of Transportation and Public Facilities is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes state-owned airports and seaplane bases, center line miles of state roads, buildings ranging from maintenance shops to state office complexes, and harbor facilities. In addition, the department owns and operates the Alaska Marine Highway System, serving 33 Alaskan communities, Bellingham, WA, and Prince Rupert, BC with a fleet of ships. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of light- and heavy-duty vehicles and attachments for state departments, agencies, and offices.

ALASKA STATE LEGISLATURE

Thirtieth Legislature, Second Session (2018)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	Pete Kelly (R)	Fairbanks	1	Scott Kawasaki (D)	Fairbanks
			2	Steve Thompson (R)	Fairbanks
B	John Coghill (R)	North Pole	3	Tammie Wilson (R)	North Pole
			4	David Guttenberg (D)	Fairbanks
C	Click Bishop (R)	Fairbanks	5	Adam Wool (D)	Fairbanks
			6	David Talerico (R)	Healy
D	David Wilson (R)	Wasilla	7	Colleen Sullivan-Leonard (R)	Wasilla
			8	Mark Neuman (R)	Big Lake
E	Mike Shower (R)	Wasilla	9	George Rauscher (R)	Palmer
			10	David Eastman (R)	Wasilla
F	Shelly Hughes (R)	Chugiak	11	Delena Johnson (R)	Palmer
			12	Cathy Tilton (R)	Wasilla
G	Anna MacKinnon (R)	Eagle River	13	Dan Saddler (R)	Eagle River
			14	Lora Reinbold (R)	Eagle River
H	Bill Wielechowski (D)	Anchorage	15	Gabrielle LeDoux (R)	Anchorage
			16	Ivy Spohnholz (D)	Anchorage
I	Berta Gardner (D)	Anchorage	17	Andy Josephson (D)	Anchorage
			18	Harriet Drummond (D)	Anchorage
J	Tom Begich (D)	Anchorage	19	Geran Tarr (D)	Anchorage
			20	Les Gara (D)	Anchorage
K	Mia Costello (R)	Anchorage	21	Matt Claman (D)	Anchorage
			22	Jason Grenn (NA)	Anchorage
L	Natasha Von Imhof (R)	Anchorage	23	Chris Tuck (D)	Anchorage
			24	Chuck Kopp (R)	Anchorage
M	Kevin Meyer (R)	Anchorage	25	Charisse Millett (R)	Anchorage
			26	Chris Birch (R)	Anchorage
N	Cathy Giessel (R)	Anchorage	27	Lance Pruitt (R)	Anchorage
			28	Jennifer Johnston (R)	Anchorage
O	Peter Micciche (R)	Soldotna	29	Mike Chenault (R)	Nikiski
			30	Gary Knopp (R)	Soldotna
P	Gary Stevens (R)	Kodiak	31	Paul Seaton (R)	Homer
			32	Louise Stutes (R)	Kodiak
Q	Dennis Egan (D)	Juneau	33	Sam Kito (D)	Juneau
			34	Justin Parish (D)	Juneau
R	Bert Stedman (R)	Sitka	35	Jonathan Kreiss-Tomkins (D)	Sitka
			36	Dan Ortiz (NA)	Ketchikan
S	Lyman Hoffman (D)	Bethel	37	Bryce Edgmon (D)	Dillingham
			38	Tiffany Zulkosky (D)	Bethel
T	Donald Olson (D)	Golovin	39	Neal Foster (D)	Nome
			40	John Lincoln (D)	Kotzebue

LEADERSHIP

STATE SENATE

Pete Kelly, Senate President

HOUSE OF REPRESENTATIVES

Bryce Edgmon, Speaker of the House

FINANCE COMMITTEES

STATE SENATE

Lyman Hoffman, Co-Chair
Anna MacKinnon, Co-Chair
Click Bishop, Vice Chair

Members:

Peter Micciche, Natasha von Imhof,
Donald Olson, Gary Stevens

HOUSE OF REPRESENTATIVES

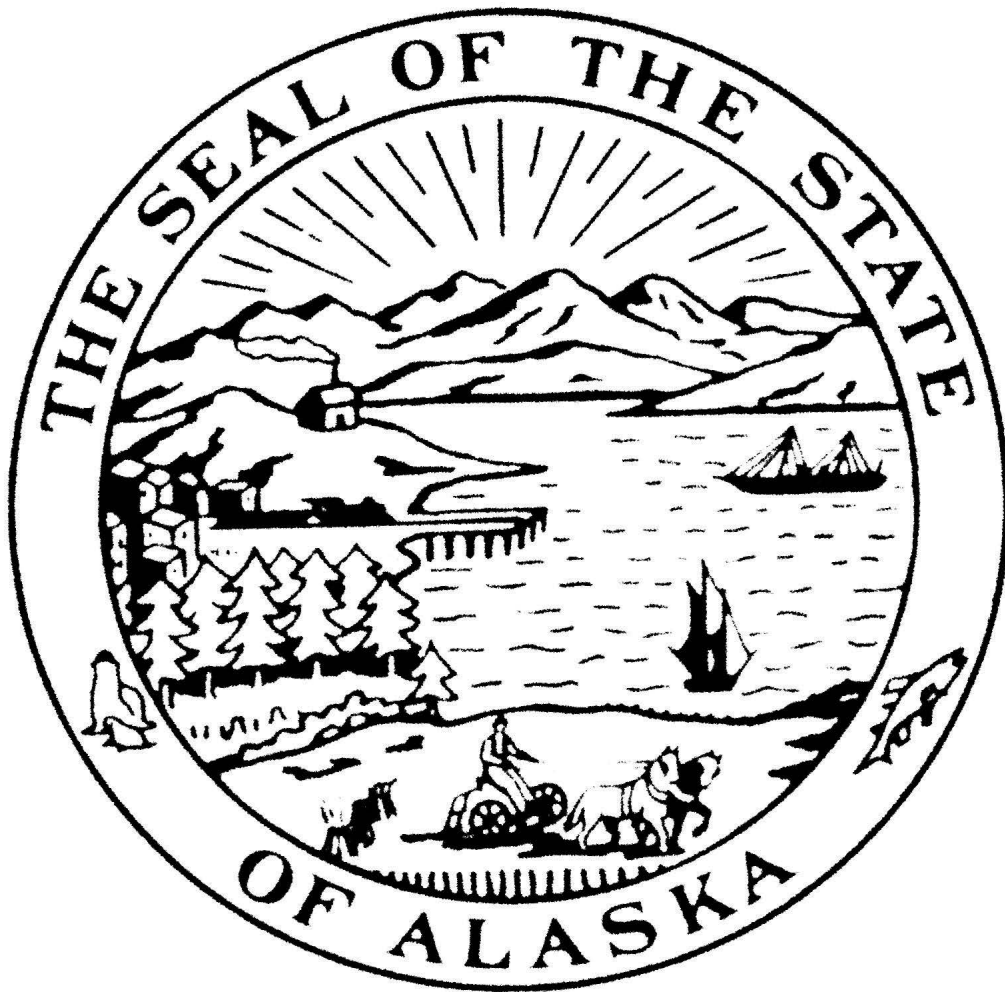
Neal Foster, Co-Chair
Paul Seaton, Co-Chair
Les Gara, Vice Chair

Members:

Scott Kawasaki, Dan Ortiz, Lance Pruitt, Cathy
Tilton, Steve Thompson, Tammie Wilson, Mark
Neuman, Louise Stutes

Financial Section





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ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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

Independent Auditor's Report

Citizens of the State of Alaska:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

<u>Opinion Unit</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Governmental Activities	89%	50%
Business-Type Activities	77%	68%
Aggregate Discretely Presented Component Units	91%	92%
Major Funds:		
General Fund	78%	1%
Alaska Permanent Fund	100%	100%
Alaska International Airports	100%	100%
Aggregate Remaining Fund Information	92%	87%

Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those accounts, funds, retirement plans, and component units, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on General Fund

State of Alaska's General Fund rents and royalties are not reported in accordance with generally accepted accounting principles and management declined to correct the misstatements. Misstatements include an overstatement to General Fund royalty revenues of \$99.8 million and an understatement of \$99.8 million due to other funds. The misstatement was caused by the Department of Natural Resources' failure to transfer all statutorily dedicated revenues to the Alaska Permanent Fund. The statutory dedications of royalty revenues are required by law to be deposited in the Permanent Fund.

Note two relating to the State's Constitutional Budget Reserve Fund, a subfund of the General Fund also referred to as the State's rainy day fund or savings account, is materially misstated by \$1.46 billion and management declined to correct the misstatement. The overstatement is the result of not correcting for the \$99.8 million misstatement discussed above and the State's attorney general's guidance to the Department of Revenue and the Department of Natural Resources that taxes, royalties, and interest received as a result of decisions by the Federal Energy Regulatory Commission are not required to be deposited in the

Constitutional Budget Reserve Fund. Historically the receipts have been deposited in the Constitutional Budget Reserve Fund. Additionally, taxes due as a result of Federal Energy Regulatory Commission decisions were permitted to be offset against tax credits owed to taxpayers which further misstated the Constitutional Budget Reserve Fund balance. The attorney general further asserted that similar monies received in prior years that were deposited in the Constitutional Budget Reserve Fund should be reclassified as General Fund monies thereby reducing the amount that the General Fund must repay the Constitutional Budget Reserve Fund in the future. Legal analysis does not support the attorney general's position. The failure to properly deposit monies received during the fiscal year ended June 30, 2018 and the reclassification of prior year monies violates state law and provides misleading information to users of the financial statements.

Qualified Opinions

In our opinion, based on our audit and the report of other auditors, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund information of the State of Alaska, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, Alaska Permanent Fund, Alaska International Airports, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2018, the State of Alaska adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result of the implementation of this standard, the State of Alaska reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Alaska's basic financial statements. The combining and individual nonmajor fund financial statements, and schedules, and the other information such as the introductory and statistical section, index of funds, legends of acronyms, and section divider pages are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole except for Statements 3.01 and 3.02. As described in the *Basis for Qualified Opinion on General Fund* paragraph above, the General Fund and the Constitutional Budget Reserve Fund are misstated by over \$1.4 billion as a result of classifying taxes, royalties, and interest as General Fund monies when the revenues are eligible to be deposited in the Constitutional Budget Reserve Fund and not transferring all dedicated revenues to the Alaska Permanent Fund.

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

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Kris Curtis, CPA, CISA
Legislative Auditor

Juneau, Alaska
February 19, 2019

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the preceding pages of this report, and the financial statements that follow.

Financial Highlights

Government-wide

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the close of FY 18 by \$74.2 billion (net position). Of this amount, \$8.1 billion represents net investment in capital assets, \$47.9 billion is restricted for various purposes, and unrestricted net position is \$18.2 billion. Unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors.
- As a result of implementing GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (OPEB), the State recorded \$19,516 thousand net OPEB asset, \$105,448 thousand deferred outflows of resources, \$661,157 thousand net OPEB liability, and \$290,639 thousand deferred inflows of resources for the primary government. This was the reason for the \$757,503 thousand adjustment to the beginning unrestricted net position in fiscal year 2018. After restating beginning balances for GASB Statement 75, the primary government's total net position increased by \$3.0 billion as a result of this year's operations.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$69.8 billion, with \$22.7 billion unrestricted (includes committed, assigned, and unassigned), \$46.8 billion nonspendable, and \$287.7 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$46.0 billion of the Alaska Permanent Fund principal with the remaining related to nonspendable assets such as inventory, advances and prepaid items, and the principal of other nonmajor permanent funds.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was a surplus of \$3.8 billion. This is a decrease of \$2.3 billion from FY 17. The decrease is mainly a result of operations for the year.

Long-term debt

- As a result of this year's activity, after taking into account the effects of beginning balance of the net OPEB liability now recorded, the State's total long-term debt increased by \$677 million (9.65 percent). The increase in debt is primarily due to the booking of OPEB liabilities as it relates to GASB 75, an increase in the net pension liability, and partially offset by a decrease in general obligation debt, revenue bonds payable and capital leases. Additional information regarding long-term debt can be found in Note 6.

Overview of the Financial Statements

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

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

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

The statement of net position presents information on all of the State's assets, liabilities and deferred outflows and inflows of resources. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred

inflows of resources. Over time, increases or decreases in net position should serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

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

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

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

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

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

- Capital assets (land, buildings, equipment, infrastructure, intangibles, and construction in progress) used in governmental activities are not reported in governmental fund statements.
- Pension and OPEB assets, and claims and judgments are not current available resources and are not reported in the governmental fund statements.
- Deferred outflows and deferred inflows are not reported in the governmental fund statements.
- Internal service funds are reported as governmental activities in the government-wide financial statements, but are reported as proprietary funds in the fund financial statements.
- Certain revenues, unavailable to pay for current period expenditures, are not reported in the governmental fund statements.
- Unless due and payable in the current period, certain long-term liabilities such as net pension liability, net OPEB liability, capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets in the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities in the government-wide statements, but are recorded as other financing sources in the governmental fund statements.
- Capital lease arrangements are considered a source of financing in the governmental funds but are reported as a liability in the Statement of Net Position.
- Certain expenditures are reported in the funds but either increase or decrease long-term liabilities or deferred outflows on the Statement of Net Position.

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

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

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

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 96.5 percent of total government-wide cash and investments and 92.8 percent of total government-wide net position (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

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

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

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

The proprietary fund financial statements are statement numbers 1.21 through 1.23. The International Airports Fund is a major enterprise fund of the State of Alaska. The International Airports Fund is 4.2 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the Basic Financial Statements

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

Additional Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report includes additional required supplementary information. Included in the RSI is a budgetary comparison schedule for the General Fund reconciling the statutory and generally accepted accounting principles (GAAP) fund balances at fiscal year-end (statement number 2.01). Also included are

schedules displaying the proportionate share of the net pension and OPEB liability/asset, employer contribution amounts, the sources of changes in the net pension and OPEB liability/asset, components of the net pension and OPEB liability/asset and related ratios, and the net pension and OPEB liability/asset as a percentage of covered-employee payroll.

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net position should serve over time as a useful indicator of a government's financial position. State assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$74.2 billion at the close of FY 18 (see table below). By far the largest portion of the State's net position (87.5 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 (\$46.0 billion) may not be spent.

The remainder of the State's net position (12.5 percent) represents net investment in capital assets (\$8.1 billion), resources that are subject to external restrictions of how they may be used (\$1.9 billion), and the remaining is unrestricted net position.

Net Position (Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY18	FY17	FY18	FY17	FY18	FY17
Current and Other Noncurrent Assets	\$ 74,895	\$ 71,208	\$ 2,034	\$ 1,965	\$ 76,929	\$ 73,173
Capital Assets	7,826	7,666	1,205	1,226	9,031	8,892
Total Assets	82,721	78,874	3,239	3,191	85,960	82,065
Deferred Outflows of Resources	889	915	8	16	897	931
Long-term Liabilities	7,171	6,450	526	570	7,697	7,020
Other Liabilities	4,490	3,686	41	42	4,531	3,728
Total Liabilities	11,661	10,136	567	612	12,228	10,748
Deferred Inflows of Resources	414	250	13	1	427	251
Net Position:						
Net Investment in Capital Assets	7,248	6,952	847	831	8,095	7,783
Restricted	46,900	47,893	1,007	990	47,907	48,883
Unrestricted	17,387	14,558	814	773	18,201	15,331
Total Net Position	\$ 71,535	\$ 69,403	\$ 2,668	\$ 2,594	\$ 74,203	\$ 71,997

The net position of governmental activities increased \$2,132 million and business-type activities increased \$74 million. The increase in governmental activities is primarily due to strong Permanent Fund investment returns which were partially offset by a decrease in the General Fund due to expenditures exceeding the amount of revenue collected. The increase in business-type activities is a result of this year's operations.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net position changed during FY 18.

	Changes in Net Position (Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY18	FY17	FY18	FY17	FY18	FY17
Revenues						
Program Revenues						
Charges for Services	\$ 1,859	\$ 1,572	\$ 363	\$ 367	\$ 2,222	\$ 1,939
Operating Grants	2,599	2,559	1	—	2,600	2,559
Capital Grants	632	650	59	71	691	721
General Revenues						
Taxes	1,362	680	—	—	1,362	680
Interest and Investment Income/(Loss)	5,830	7,050	21	21	5,851	7,071
Payments In from Component Units	13	31	—	—	13	31
Other Revenues	103	69	—	1	103	70
Total Revenues	12,398	12,611	444	460	12,842	13,071
Expenses						
General Government	734	173	—	—	734	173
Alaska Permanent Fund Dividend	698	653	—	—	698	653
Education and University	2,330	2,073	—	—	2,330	2,073
Health and Human Services	3,161	3,165	—	—	3,161	3,165
Law and Justice	222	262	—	—	222	262
Public Protection	719	855	—	—	719	855
Natural Resources	313	385	—	—	313	385
Development	192	177	—	1	192	178
Transportation	987	1,277	—	—	987	1,277
Intergovernmental	100	96	—	—	100	96
Debt Service	66	64	—	—	66	64
Loans	—	—	5	10	5	10
Insurance	—	—	194	200	194	200
Airports	—	—	158	167	158	167
Total Expenses	9,522	9,180	357	378	9,879	9,558
Excess (Deficiency) of Revenues						
Over Expenditures	2,876	3,431	87	82	2,963	3,513
Transfers	—	9	—	(9)	—	—
Change in Net Position	2,876	3,440	87	73	2,963	3,513
Net Position - Beginning of Year (Restated)	68,676	65,980	2,581	2,521	71,257	68,501
Prior Period Adjustment	(17)	—	—	—	(17)	—
Net Position - End of Year	\$ 71,535	\$ 69,420	\$ 2,668	\$ 2,594	\$ 74,203	\$ 72,014

For FY 18, the amount of net position - beginning of year balances being restated for governmental activities is \$744 million and \$14 million for business-type activities in relation to the implementation of GASB statement 75. The FY 17 amounts presented here have not been restated for the implementation of GASB statement 75 for other postemployment benefits. Additional information regarding the restatement of net position can be found in Note 14 in the notes to the basic financial statements.

Financial Analysis of the State's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$69.8 billion, an increase of \$2.8 billion in comparison with the prior year. This increase is primarily due to an increase in the Permanent Fund investments revenue which was partially offset by decrease in the General Fund balance with expenditures exceeding revenues.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of \$1.9 billion, and \$2.0 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$18.9 billion, and the remaining nonmajor governmental funds had committed fund balances of \$56.4 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund (\$46.0 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal (\$749 million), and amounts restricted for a variety of other purposes (\$288 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unrestricted fund balance (includes committed, assigned, and unassigned) of the General Fund was \$3.8 billion, while total fund balance reached \$4.0 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 42 percent of total General Fund expenditures, while total fund balance represents 44 percent of that same amount.

The fund balance of the State's General Fund decreased by \$2.3 billion during the current fiscal year. For FY 18, the most significant source of revenue was federal revenues (51.2 percent) followed by taxes (21.6 percent). With the decline in petroleum related revenues, Rents and Royalties and Taxes continue to be a significant concern even though FY 18 showed a slight increase (39.5 percent of total revenues for FY 18 compared to 27.1 percent of total revenues for FY 17).

General Fund revenues for FY 18 were \$6.1 billion, an increase of \$0.7 billion compared to revenues of \$5.4 billion for FY 17. Revenues by source for FY 18 are compared to FY 17 in the following schedule (in millions):

Revenue Source	FY18	Percent	FY17	Percent
Taxes	\$ 1,315.9	21.6%	\$ 658.3	12.3%
Rents and Royalties	1,094.0	17.9	790.8	14.8
Interest and Investment Income/(Loss)	145.7	2.4	243.8	4.5
Federal	3,124.6	51.2	3,198.2	59.7
Miscellaneous	420.1	6.9	466.9	8.7
Total Revenue	\$ 6,100.3	100.0%	\$ 5,358	100.0%

The primary component of this revenue increase are taxes as well as rents and royalties compared to the previous year. The General Fund received \$658 million more in taxes and \$303 million more in rents and royalties income revenue during FY 18.

Alaska Permanent Fund

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

In 1976 the Alaska Constitution was amended to provide that: *At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in a*

permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law.

The fund is made up of three parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2018, this amounted to \$40.2 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$16.9 billion in dedicated mineral revenues; \$16.2 billion of fund realized earnings transferred to principal for inflation proofing; \$6.9 billion in additional deposits approved by special legislative appropriation, and \$153 million in settlement earnings (*State v. Amerada Hess, et al.*).

A portion of accumulated unrealized appreciation on invested assets is also part of the nonspendable fund balances. The unrealized amounts allocated to contributions and appropriations are nonspendable, unless and until they become realized, at which point they will be transferred to the assigned fund balance. The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to \$5.9 billion.

- **Committed Fund Balances:** The committed fund balances are realized earnings of the Fund which have been designated by appropriation for a specific purpose and meet other criteria as defined by Generally Accepted Accounting Principles. During FY 18, legislation was passed which provides for a transfer from the Earning Reserve Account to the General Fund for the payment of unrestricted General Fund expenditures, including the dividend. The amount of the transfer is based upon a percentage of the average market value of the Fund at the end of the first five of the preceding six fiscal years. The legislation took effect on July 1, 2018. The FY 18 balance sheet reflects a commitment of fund balance of \$2.7 billion for transfer during FY 19.
- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2018, realized earnings (both gains and losses) have amounted to \$62.2 billion. Of this amount \$24.5 billion has been paid out for dividends, \$16.2 billion has been transferred to principal for inflation proofing, \$4.3 billion has been added to principal by special appropriation, \$554.1 million has been paid out to the General Fund, \$43.4 million in settlement earnings is payable to the Alaska Capital Income Fund, \$2.7 billion is committed for transfer to the General Fund, and \$13.7 billion remains in the fund at June 30, 2018 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the assigned fund balance amounted to \$2.4 billion.

General Fund Budgetary Highlights

The difference between the original expenditure budget and the final amended budget was a \$445.4 million increase in appropriations (or 2.5 percent) and can be briefly summarized as follows:

- \$1,174.0 million increase allocated to health and human services
- \$723.6 million decrease allocated to transportation
- \$41.8 million decrease allocated to general government
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, \$145.0 million was funded out of an increase in federal grants in aid and \$98.2 million was funded out of an increase in interagency receipts, which represent purchases between departments. The remaining increase was funded with money transferred from the Constitutional Budget Reserve Fund (CBR). Please see Note 2 for additional information on the CBR.

The difference between the final amended budget and actual expenditures was a \$7.8 billion decrease (or 43.2 percent) primarily due to a \$5.3 billion decrease in transportation expenditures and a \$1.0 billion decrease in health and human services expenditures.

Capital Assets and Debt Administration**Capital assets**

The State's net investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$8.1 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 18 totaled \$500 million for governmental activities and \$73 million for business-type activities.

Capital Assets
(Stated in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY18	FY17	FY18	FY17	FY18	FY17
Land	\$ 1,043	\$ 1,015	\$ 31	\$ 31	\$ 1,074	\$ 1,046
Buildings	1,656	1,560	660	685	2,316	2,245
Equipment	553	515	36	32	589	547
Infrastructure	3,182	2,938	460	456	3,642	3,394
Construction in Progress	1,393	1,638	18	22	1,411	1,660
Total Capital Assets	\$ 7,827	\$ 7,666	\$ 1,205	\$ 1,226	\$ 9,032	\$ 8,892

In FY 18, the State of Alaska implemented the capital asset module of the ERP system, IRIS, which calculates depreciation differently than it had historically been estimated. Historically, a full year of depreciation was calculated for an asset that was placed into service at any given point in time during the fiscal year. In IRIS, depreciation is calculated based on the number of days the asset was in service during the fiscal year. Additional information on the State's capital assets can be found in Note 5 in the notes to the basic financial statements.

Long-term debt

At the end of the current fiscal year, the State had total bonded debt outstanding of \$1,525 million. Of this amount, \$794 million was general obligation bonds, and \$731 million of revenue bonds payable comprised of \$312 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$17 million of sport fishing revenue bonds, and \$402 million issued by the International Airport Fund. The general obligation bonds are secured by the full faith, credit, and resources of the State, whereas the NTSC bonds are secured by and payable solely from Tobacco Settlement Revenues (TSRs). Neither the State of Alaska, nor the Alaska Housing Finance Corporation (of which NTSC is a subsidiary) is liable for any debt issued by NTSC. The sport fishing revenue bonds are secured by the sport fishing facilities surcharge imposed under AS 16.05.340 and related federal revenues. The remaining \$402 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

	Long-term Debt (Stated in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	FY18	FY17	FY18	FY17	FY18	FY17
Revenue Bonds Payable	\$ 329	\$ 356	\$ 402	\$ 440	\$ 731	\$ 796
General Obligation Debt	794	860	—	—	794	860
Notes Payable	12	14	—	—	12	14
Capital Leases Payable	254	269	—	—	254	269
Unearned Revenue	45	53	24	23	69	76
Certificates of Participation	28	30	—	—	28	30
Compensated Absences	166	168	5	4	171	172
Claims and Judgments	164	145	—	—	164	145
Pollution Remediation	126	120	5	4	131	124
Other Noncurrent Liabilities	3	3	24	21	27	24
Net OPEB Liability	652	—	9	—	661	—
Net Pension Liability	4,598	4,432	57	77	4,655	4,509
Total	<u>\$ 7,171</u>	<u>\$ 6,450</u>	<u>\$ 526</u>	<u>\$ 569</u>	<u>\$ 7,697</u>	<u>\$ 7,019</u>

The State's total long-term debt increased by \$677 million (9.65 percent) during FY 18. The increase in debt is primarily due to the implementation of GASB 75 reporting for OPEB liabilities and an increase in the net pension liability. These increases were partially offset by a decrease in general obligation debt, revenue bonds payable, and capital leases payable.

With the implementation of GASB Statement 68 and 75, the State of Alaska reported net pension and net OPEB liabilities in relation to a special funding situation in the amount of \$2,202 million (\$1,972 million for pensions and \$230 million for OPEB). The State of Alaska, Department of Law issued a legal opinion that the State of Alaska is not legally responsible for this portion of the net pension liability. Regardless, the financial statements must be reported under generally accepted accounting principles.

During FY 18 the State of Alaska's bond rating remained at Aa3 but was upgraded to a stable outlook by Moody's Investor's Service. Fitch Ratings and Standard's & Poor credit rating downgraded from AA+ to AA with a stable outlook.

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

Significant Facts

While the General Fund revenue increased by \$742.3 million over all, taxes and rent and royalties income increased between FY 17 and FY 18 by \$657.6 million and \$303.2 million respectively.

The Public Employee's Retirement System's (PERS) investment income decreased \$609.3 million to \$1,442.8 million during fiscal year 2018. The Teacher's Retirement System's (TRS) net investment income decreased \$303.3 million to \$703.6 million during fiscal year 2018.

Another significant factor affecting interest and investment revenues was a decrease of \$1.1 billion between FY 17 and FY 18 for the Alaska Permanent Fund (APF). In FY 17 the APF experienced an investment income gain of \$6.8 billion, compared to a gain of \$5.7 billion in FY 18. The APF experienced a total fund return of 10.74 percent for FY 18. FY 18's results were not quite as strong as the 12.89 percent of FY 17 but still significantly higher than the average over the Fund's history. Total fund return for FY 18 outperformed the performance benchmark of 8.20 percent by more than 250 basis points. Closest to the FY 18 performance was FY 13 with a 10.93 percent return. FY 18's results are substantially above the mid-point of the range of returns since 1985, which have ranged from -17.96 percent to 25.58 percent. Please see Note 1 for further information regarding this blended component unit and how to obtain the separately issued financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 18 was 7.2 percent, slightly higher than the adjusted average unemployment rate for FY 17. Alaska's five year average (2014 to 2018) was 6.9 percent. The United States unemployment rate for FY 18 was 4.1 percent.
- Total General Fund revenue for FY 18 was \$6.1 billion. Three sources of revenue accounted for 90.8 percent of total state revenue; federal, taxes, and rents and royalties. Federal accounted for 51.2 percent, taxes accounted for 21.6 percent, and rents and royalties accounted for 17.9 percent of general fund revenue. The State's budget is primarily structured around petroleum and federal revenue. Federal funds are generally restricted for use for federal programs and therefore cannot be used to balance the State budget. Petroleum revenues continue to be of concern with fluctuating oil prices and lawmakers continuing to use State reserves to close budget gaps.
- FY 18 crude oil and natural gas liquids production in the State of Alaska for the North Slope averaged 518 thousand barrels per day. This is 8 thousand barrels per day less than in the prior year. In Cook Inlet, production averaged approximately 16 thousand barrels per day; an increase of about 2 thousand barrels per day compared to the prior year.
- The State of Alaska FY 18 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend (\$1,100/resident) was paid to each qualifying Alaskan for a total of \$698 million.

Requests for Information

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

Basic Financial Statements



STATE OF ALASKA
Statement of Net Position
Government-wide
June 30, 2018
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Investments	\$ 70,913,351	\$ 1,415,061	\$ 72,328,412	\$ 2,228,968
Accounts Receivable - Net	839,405	19,920	859,325	54,804
Interest and Dividends Receivable	198,950	14,691	213,641	44,508
Internal Balances	(1,690)	1,690	—	—
Due from Primary Government	—	—	—	22,139
Due from Component Units	4,117	—	4,117	8,203
Due from Other Governments	773,252	27,665	800,917	49,217
Loans, Notes, and Bonds Receivable	18,550	461,886	480,436	4,949,920
Inventories	29,375	—	29,375	17,111
Repossessed Property	—	850	850	—
Net Investment in Direct Financing Leases	—	—	—	157,092
Investments in Projects, Partnerships, or Corporations	—	—	—	62,871
Restricted Assets	1	89,252	89,253	2,079,474
Securities Lending Collateral	2,011,760	—	2,011,760	15,802
Net Pension Asset	5,652	—	5,652	—
Net OPEB Asset	19,309	207	19,516	29,578
Other Assets	82,708	2,338	85,046	31,511
Capital Assets:				
Equipment, Net of Depreciation	552,798	35,874	588,672	365,747
Buildings, Net of Depreciation	1,655,988	660,581	2,316,569	1,264,096
Library Books, Net of Depreciation	—	—	—	8,418
Infrastructure, Net of Depreciation	3,182,062	459,854	3,641,916	945,561
Museum Collections	—	—	—	7,349
Land / Right-of-Way	1,043,246	31,202	1,074,448	117,468
Construction in Progress	1,392,488	17,900	1,410,388	581,888
Total Assets	<u>82,721,322</u>	<u>3,238,971</u>	<u>85,960,293</u>	<u>13,041,725</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>889,398</u>	<u>7,718</u>	<u>897,116</u>	<u>177,084</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	2,444,099	26,585	2,470,684	110,982
Obligations Under Securities Lending	2,011,760	—	2,011,760	15,802
Due to Primary Government	—	—	—	13,959
Due to Component Units	8,676	—	8,676	21,250
Due to Other Governments	9,527	2,507	12,034	663
Interest Payable	16,525	4,427	20,952	33,902
Derivative Instruments	—	—	—	104,674
Other Current Liabilities	—	6,993	6,993	83,884

This statement continues on the next page.

STATE OF ALASKA
Statement of Net Position
Government-wide
June 30, 2018
(Stated in Thousands)

STATEMENT 1.01

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES (Continued)				
Long-Term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	216,252	4,818	221,070	16,453
Unearned Revenue	25,442	24,058	49,500	51,984
Notes, Bonds, and Leases Payable	83,459	12,455	95,914	203,643
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	239,025	4,931	243,956	4,499
Unearned Revenue	19,861	—	19,861	—
Notes, Bonds, and Leases Payable	1,333,837	389,593	1,723,430	3,970,098
Net Pension Liabilities	4,598,212	56,799	4,655,011	292,917
Net OPEB Liabilities	651,796	9,361	661,157	42,533
Other Noncurrent Liabilities	2,795	23,672	26,467	20,513
Total Liabilities	11,661,266	566,199	12,227,465	4,987,756
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows or Resources	414,166	12,908	427,074	623,842
NET POSITION				
Net Investment in Capital Assets	7,247,754	846,649	8,094,403	2,205,907
Restricted for:				
Permanent Funds				
Nonexpendable	46,680,957	—	46,680,957	464,385
Expendable	1,445	—	1,445	204,407
Education	32,069	—	32,069	446,137
Development	118,146	—	118,146	122,276
Unemployment Compensation	—	451,316	451,316	—
Health and Human Services	17,435	509,265	526,700	—
Debt Service	46,643	18,986	65,629	711,214
Other Purposes	3,529	27,206	30,735	1,347,726
Unrestricted	17,387,310	814,160	18,201,470	2,105,159
Total Net Position	\$ 71,535,288	\$ 2,667,582	\$ 74,202,870	\$ 7,607,211

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, 2018
(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	\$ 734,156	\$ 23,183	\$ 22,177	\$ 65
Alaska Permanent Fund Dividend	698,016	—	—	—
Education	1,942,640	4,494	248,354	—
University	387,047	—	—	—
Health and Human Services	3,160,709	49,608	1,942,257	29,676
Law and Justice	221,818	12,432	20,088	1,106
Public Protection	718,987	169,139	111,281	6,956
Natural Resources	313,208	1,534,225	102,620	10,877
Development	192,045	2,796	68,439	2,781
Transportation	987,322	62,795	61,871	580,737
Intergovernmental Revenue Sharing	99,790	—	20,260	—
Debt Service	65,950	—	2,308	—
Total Governmental Activities	<u>9,521,688</u>	<u>1,858,672</u>	<u>2,599,655</u>	<u>632,198</u>
Business-type Activities:				
Loans	5,348	10,295	407	5,088
Insurance	193,349	205,044	—	—
Airports	158,113	147,893	—	53,900
Total Business-type activities	<u>356,810</u>	<u>363,232</u>	<u>407</u>	<u>58,988</u>
Total Primary Government	<u>\$ 9,878,498</u>	<u>\$ 2,221,904</u>	<u>\$ 2,600,062</u>	<u>\$ 691,186</u>
Component Units:				
University of Alaska	\$ 769,372	\$ 194,486	\$ 232,857	\$ 54,172
Alaska Housing Finance Corporation	212,822	146,639	55,113	32,382
Alaska Industrial Development and Export Authority	95,861	56,667	1,422	44,474
Nonmajor Component Units	430,905	258,988	139,298	661
Total Component Units	<u>\$ 1,508,960</u>	<u>\$ 656,780</u>	<u>\$ 428,690</u>	<u>\$ 131,689</u>

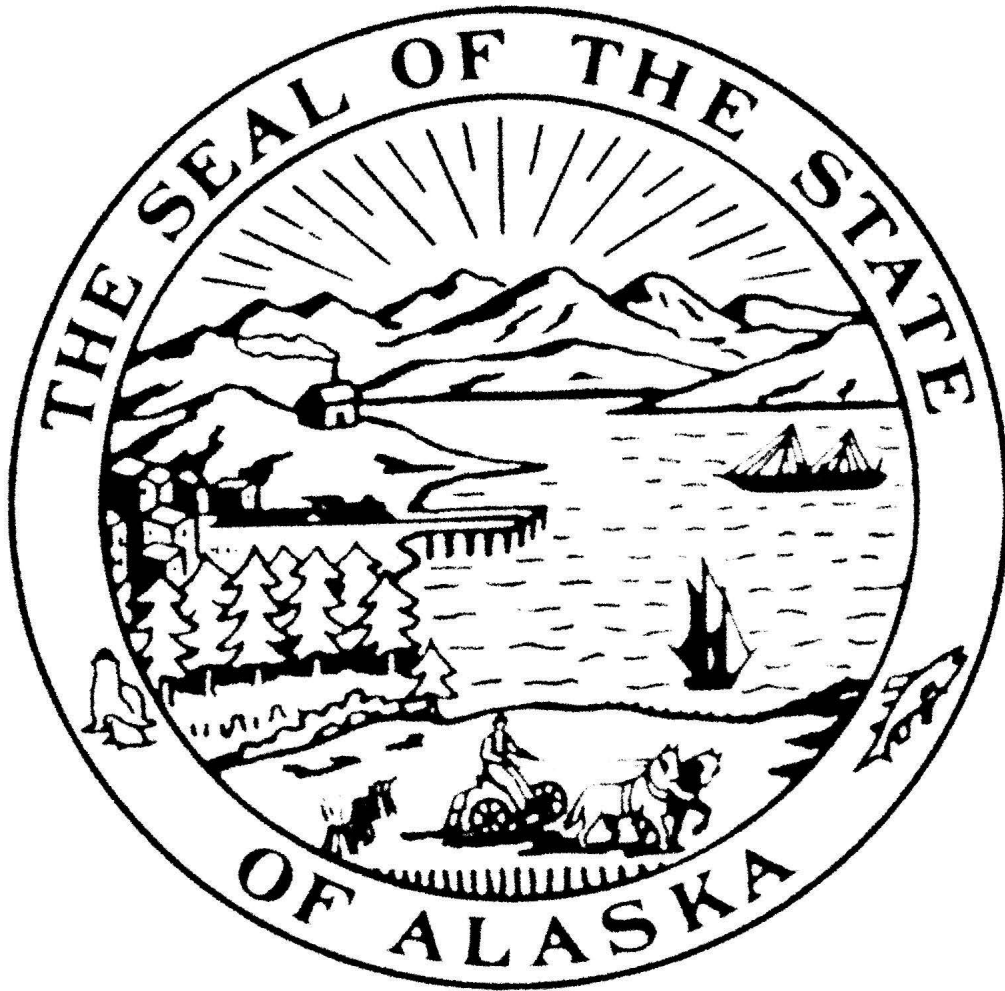
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STATE OF ALASKA
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2018
(Stated in Thousands)

STATEMENT 1.02

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	\$ (688,731)		\$ (688,731)	
Alaska Permanent Fund Dividend	(698,016)		(698,016)	
Education	(1,689,792)		(1,689,792)	
University	(387,047)		(387,047)	
Health and Human Services	(1,139,168)		(1,139,168)	
Law and Justice	(188,192)		(188,192)	
Public Protection	(431,611)		(431,611)	
Natural Resources	1,334,514		1,334,514	
Development	(118,029)		(118,029)	
Transportation	(281,919)		(281,919)	
Intergovernmental Revenue Sharing	(79,530)		(79,530)	
Debt Service	(63,642)		(63,642)	
Total Governmental Activities	<u>(4,431,163)</u>		<u>(4,431,163)</u>	
Business-type Activities:				
Loans		\$ 10,442	10,442	
Insurance		11,695	11,695	
Airports		43,680	43,680	
Total Business-type activities		<u>65,817</u>	<u>65,817</u>	
Total Primary Government	<u>(4,431,163)</u>	<u>65,817</u>	<u>(4,365,346)</u>	
Component Units:				
University of Alaska				\$ (287,857)
Alaska Housing Finance Corporation				21,312
Alaska Industrial Development and Export Authority				6,702
Nonmajor Component Unit				(31,958)
Total Component Units				<u>(291,801)</u>
General Revenues				
Taxes:				
Severance Taxes	777,690	—	777,690	—
Selective Sales/Use	260,693	—	260,693	—
Income Taxes	195,387	—	195,387	—
Property Taxes	125,421	—	125,421	—
Other Taxes	2,483	—	2,483	—
Interest and Investment Income (Loss)	5,829,716	20,915	5,850,631	114,388
Tobacco Settlement	51,117	—	51,117	—
Payments in from Component Units	13,229	—	13,229	—
Payments In from Primary Government	—	—	—	335,322
Other Revenues	51,722	325	52,047	9,388
Total General Revenues	<u>7,307,458</u>	<u>21,240</u>	<u>7,328,698</u>	<u>459,098</u>
Change in Net Position	2,876,295	87,057	2,963,352	167,297
Net Position - Beginning of Year (Restated)	68,675,497	2,580,525	71,256,022	7,439,914
Prior Period Adjustment	(16,504)	—	(16,504)	—
Net Position - End of Year	<u>\$ 71,535,288</u>	<u>\$ 2,667,582</u>	<u>\$ 74,202,870</u>	<u>\$ 7,607,211</u>

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



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Governmental Funds Financial Statements

MAJOR FUNDS

- **General Fund** - This fund is the State's operating fund. It accounts for the financial resources and transactions not accounted for in other funds. A description of the General Fund accounts and sub-funds are presented in the Combining Fund Statements.
- **Alaska Permanent Fund** - Alaska Constitution, Article IX, Section 15 - Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in the Alaska Permanent Fund.

NONMAJOR FUNDS

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



Balance Sheet

Governmental Funds

June 30, 2018

(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 4,816,857	\$ 64,995,462	\$ 953,146	\$ 70,765,465
Accounts Receivable - Net	368,680	466,045	2,008	836,733
Interest and Dividends Receivable	18,853	179,833	264	198,950
Due from Other Funds	55,865	18,227	4,845	78,937
Due from Component Units	4,117	—	—	4,117
Due from Other Governments	770,307	—	245	770,552
Loans, Notes, and Bonds Receivable	18,471	—	79	18,550
Inventories	24,961	—	—	24,961
Securities Lending Collateral	—	2,011,760	—	2,011,760
Other Assets	69,212	—	4,267	73,479
Total Assets	6,147,323	67,671,327	964,854	74,783,504
LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 1,651,907	\$ 721,827	\$ 6,099	\$ 2,379,833
Obligations Under Securities Lending	—	2,011,760	—	2,011,760
Due to Other Funds	82,363	43,395	8,468	134,226
Due to Component Units	8,676	—	—	8,676
Due to Other Governments	9,527	—	—	9,527
Unearned Revenue	45,073	—	230	45,303
Other Liabilities	2,211	—	584	2,795
Total Liabilities	1,799,757	2,776,982	15,381	4,592,120
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	365,311	—	—	365,311
FUND BALANCES				
Nonspendable:				
Inventory	24,755	—	—	24,755
Principal	—	46,029,992	650,965	46,680,957
Advances and Prepaid Items	68,982	—	4,236	73,218
Restricted for:				
Debt Service	4,678	—	42,784	47,462
Education	15,355	—	30,316	45,671
Health and Human Services	643	—	16,792	17,435
Development	25,830	—	147,767	173,597
Other Purposes	3,343	—	186	3,529
Committed to:				
Education	634,104	—	6,810	640,914
Health and Human Services	147,770	—	—	147,770
Public Protection	124,357	—	2,488	126,845
Permanent Fund	7,816	—	—	7,816
Development	979,631	—	47,129	1,026,760
Other Purposes	81,517	2,722,654	—	2,804,171
Assigned to:				
Permanent Fund	—	16,141,699	—	16,141,699
Unassigned:	1,863,474	—	—	1,863,474
Total Fund Balances	3,982,255	64,894,345	949,473	69,826,073
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 6,147,323	\$ 67,671,327	\$ 964,854	\$ 74,783,504

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

Reconciliation of the Balance Sheet to the Statement of Net Position

Governmental Funds

June 30, 2018

(Stated in Thousands)

Total Fund Balances - Governmental Funds		\$ 69,826,073
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (Note 5). These assets consist of:		
Equipment, net of depreciation	387,210	
Buildings, net of depreciation	1,523,781	
Infrastructure, net of depreciation	3,182,062	
Land / right-of-way	1,043,246	
Construction in progress	1,368,431	
		7,504,730
Some of the state's assets are not current available resources and are not reported in the funds.		
Claims and judgments, net of federal reimbursement	2,702	
Net pension asset (Note 7)	5,652	
Other post employment benefits asset (Note 7)	19,191	
		27,545
Deferred outflows of resources that are not reported in the funds.		
Losses on bond refunding	8,943	
Related to pensions	772,917	
Related to OPEB	103,164	
		885,024
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position (See Statement 1.21).		
		420,180
Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.		
		365,311
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 6).		
Claims and judgments, net of federal reimbursement	(163,505)	
Compensated absences	(163,052)	
Pollution remediation	(125,595)	
Capital lease obligations	(254,325)	
Net pension liability	(4,566,018)	
Net OPEB liability	(646,491)	
		(5,918,986)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds (Note 6).		
Notes and bonds payable	(1,151,215)	
Accrued interest payable	(16,525)	
		(1,167,740)
Deferred inflows of resources related to pensions that are not reported in the funds.		
		(406,849)
Net Position of Governmental Activities		\$ 71,535,288

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,315,920	\$ —	\$ 15,782	\$ 1,331,702
Licenses and Permits	127,311	—	40,245	167,556
Charges for Services	173,194	—	546	173,740
Fines and Forfeitures	18,935	—	106	19,041
Rents and Royalties	1,093,966	353,095	30,916	1,477,977
Premiums and Contributions	19,229	—	21,236	40,465
Interest and Investment Income (Loss)	145,736	5,671,456	42,361	5,859,553
Federal Grants in Aid	3,124,624	—	752	3,125,376
Payments In from Component Units	12,765	—	—	12,765
Other Revenues	68,656	—	41,830	110,486
Total Revenues	<u>6,100,336</u>	<u>6,024,551</u>	<u>193,774</u>	<u>12,318,661</u>
EXPENDITURES				
Current:				
General Government	298,614	138,886	2,475	439,975
Alaska Permanent Fund Dividend	698,016	—	—	698,016
Education	1,786,851	—	65,865	1,852,716
University	368,534	—	1,779	370,313
Health and Human Services	3,182,552	—	3,470	3,186,022
Law and Justice	240,902	1,116	—	242,018
Public Protection	738,289	—	564	738,853
Natural Resources	280,276	5,956	54,186	340,418
Development	201,811	—	1,711	203,522
Transportation	1,140,187	—	39,716	1,179,903
Intergovernmental Revenue Sharing	107,852	—	—	107,852
Debt Service:				
Principal	34,816	—	81,215	116,031
Interest and Other Charges	14,415	—	54,099	68,514
Total Expenditures	<u>9,093,115</u>	<u>145,958</u>	<u>305,080</u>	<u>9,544,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,992,779)</u>	<u>5,878,593</u>	<u>(111,306)</u>	<u>2,774,508</u>
OTHER FINANCING SOURCES (USES)				
Capital Leases	12,093	—	—	12,093
Transfers In from Other Funds	769,345	—	96,244	865,589
Transfers (Out to) Other Funds	(97,014)	(769,345)	(6,428)	(872,787)
Total Other Financing Sources and Uses	<u>684,424</u>	<u>(769,345)</u>	<u>89,816</u>	<u>4,895</u>
Net Change in Fund Balances	<u>(2,308,355)</u>	<u>5,109,248</u>	<u>(21,490)</u>	<u>2,779,403</u>
Fund Balances - Beginning of Year	<u>6,290,610</u>	<u>59,785,097</u>	<u>970,963</u>	<u>67,046,670</u>
Fund Balances - End of Year	<u>\$ 3,982,255</u>	<u>\$ 64,894,345</u>	<u>\$ 949,473</u>	<u>\$ 69,826,073</u>

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

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

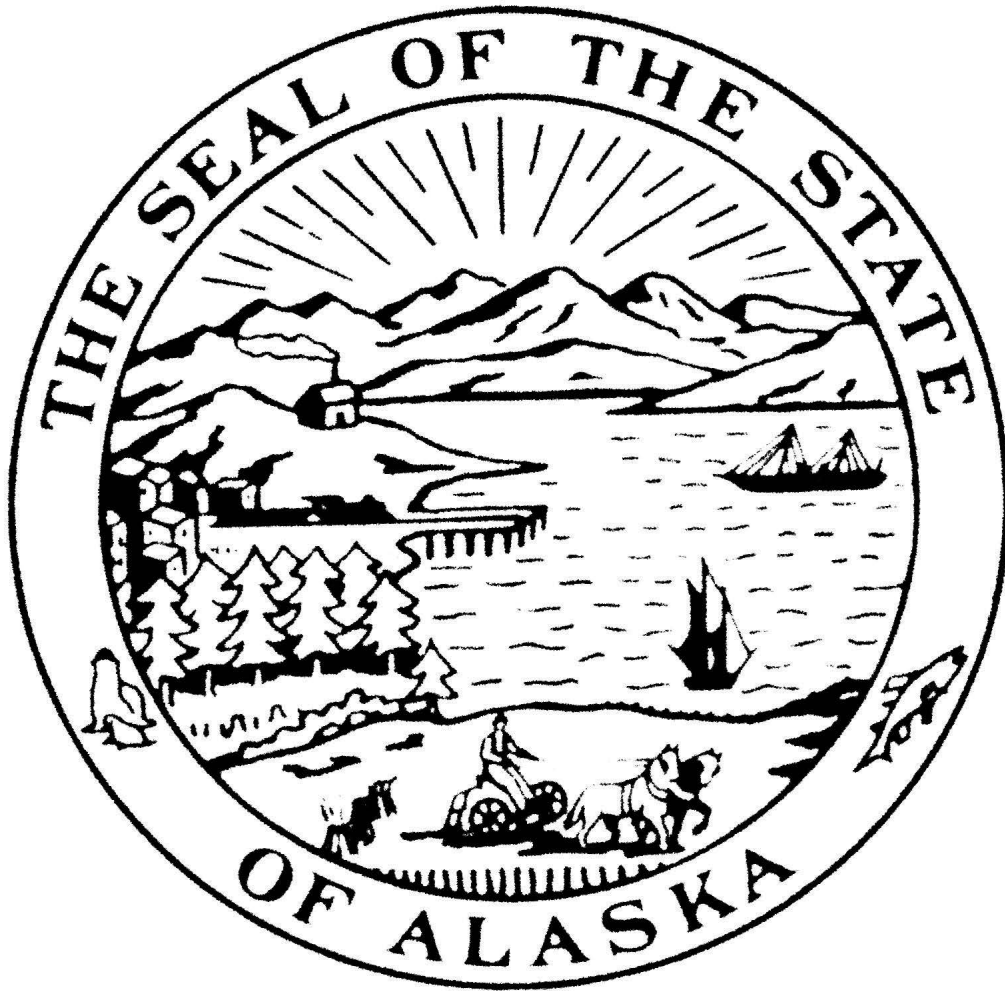
Governmental Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

Net Change in Fund Balances - Total Governmental Funds	\$ 2,779,403	
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Primarily this is the amount by which capital outlays exceeded depreciation in the current period (Note 5).		
Capital outlay	634,611	
Depreciation expense	<u>(470,331)</u>	164,280
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in governmental activities in the Statement of Revenues, Expenses, and Changes in Fund Net Position (Statement 1.22).		
Net current year revenue		18,745
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		
		78,641
Bond and other debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position (See Statement 1.02).		
Accrued interest	2,694	
Repayment of bond principal	<u>95,010</u>	97,704
Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position (See Statement 1.01), the lease obligation is reported as a liability.		
		(12,093)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities or deferred outflows reported on the Statement of Net Position (See Statement 1.01) and have been eliminated from the Statement of Activities (See Statement 1.02).		
Claims and judgments	(16,265)	
Compensated absences	1,288	
Pollution remediation	(5,818)	
Capital lease payments	26,706	
Pension	(173,254)	
Other post employment benefits	<u>(83,042)</u>	(250,385)
Change in Net Position of Governmental Activities		<u>\$ 2,876,295</u>

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



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Proprietary Funds

Financial Statements

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

MAJOR ENTERPRISE FUNDS

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

- **International Airports Fund (Fund 3123)** - AS 37.15.420, AS 37.15.430 - Administered by the Department of Transportation and Public Facilities. This fund consists of all revenues, fees, charges, and rentals derived by the State from the ownership, lease, use, and operation of the international airports.

NONMAJOR FUNDS

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



STATE OF ALASKA
Statement of Net Position
Proprietary Funds
June 30, 2018
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 101,225	\$ 1,313,836	\$ 1,415,061	\$ 147,887
Accounts Receivable - Net	6,912	13,008	19,920	252
Interest and Dividends Receivable	—	6,523	6,523	—
Due from Other Funds	1,856	1,372	3,228	12,920
Due from Other Governments	27,450	215	27,665	—
Loans, Notes, and Bonds Receivable	—	35,187	35,187	—
Inventories	—	—	—	4,414
Restricted Assets	4,977	—	4,977	—
Other Current Assets	—	3	3	9,229
Total Current Assets	142,420	1,370,144	1,512,564	174,702
Noncurrent Assets:				
Interest and Dividends Receivable	—	8,168	8,168	—
Loans, Notes, and Bonds Receivable	—	426,699	426,699	—
Repossessed Property	—	850	850	—
Restricted Assets	84,275	—	84,275	—
Net OPEB Asset	198	9	207	118
Other Noncurrent Assets	—	2,335	2,335	—
Capital Assets:				
Equipment, Net of Depreciation	35,874	—	35,874	165,588
Buildings, Net of Depreciation	660,581	—	660,581	132,207
Infrastructure, Net of Depreciation	459,854	—	459,854	—
Land / Right-of-Way	31,202	—	31,202	—
Construction in Progress	17,900	—	17,900	24,057
Total Noncurrent Assets	1,289,884	438,061	1,727,945	321,970
Total Assets	1,432,304	1,808,205	3,240,509	496,672
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	7,360	358	7,718	4,374

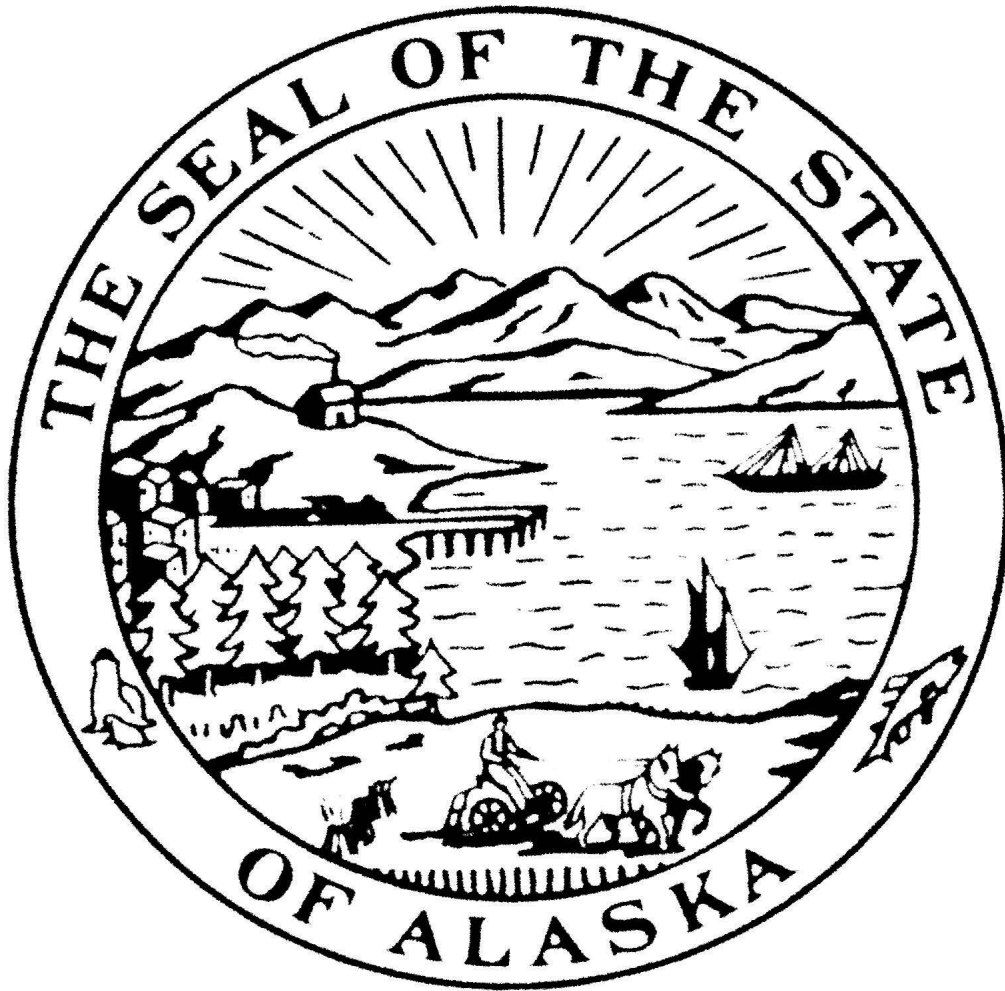
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STATE OF ALASKA
Statement of Net Position
Proprietary Funds
June 30, 2018
(Stated in Thousands)

STATEMENT 1.21

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	10,573	16,012	26,585	21,122
Due to Other Funds	75	1,463	1,538	46
Due to Other Governments	—	2,507	2,507	—
Interest Payable	4,427	—	4,427	—
Claims, Judgments, Compensated Absences, and Pollution Remediation	4,587	231	4,818	2,592
Unearned Revenue	24,058	—	24,058	—
Notes, Bonds, and Leases Payable	12,455	—	12,455	2,546
Other Current Liabilities	—	6,993	6,993	—
Total Current Liabilities	56,175	27,206	83,381	26,306
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences, and Pollution Remediation	4,931	—	4,931	533
Notes, Bonds, and Leases Payable	389,593	—	389,593	9,210
Net Pension Liabilities	54,170	2,629	56,799	32,194
Net OPEB Liabilities	8,926	435	9,361	5,305
Other Noncurrent Liabilities	—	23,672	23,672	—
Total Noncurrent Liabilities	457,620	26,736	484,356	47,242
Total Liabilities	513,795	53,942	567,737	73,548
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	12,311	597	12,908	7,318
NET POSITION				
Net Investment in Capital Assets	846,649	—	846,649	309,761
Restricted for:				
Unemployment Compensation	—	451,316	451,316	—
Health and Human Services	—	509,265	509,265	—
Debt Service	18,986	—	18,986	—
Other Purposes	26,979	227	27,206	—
Unrestricted	20,944	793,216	814,160	110,419
Total Net Position	\$ 913,558	\$ 1,754,024	\$ 2,667,582	\$ 420,180

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



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

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
OPERATING REVENUES				
Premiums and Contributions	\$ —	\$ 203,606	\$ 203,606	\$ 129,599
Charges for Goods and Services	149,904	1,616	151,520	96,543
Allowances for Uncollectible Revenues	(2,340)	—	(2,340)	—
Interest and Investment Income	—	8,931	8,931	—
Allowance for Uncollectible Interest	—	103	103	—
Fines and Forfeitures	—	2,931	2,931	—
Allowance for Uncollectible Fines	—	(1,503)	(1,503)	—
Other Operating Revenues	329	61	390	2,161
Total Operating Revenues	147,893	215,745	363,638	228,303
OPERATING EXPENSES				
Benefits	—	190,266	190,266	118,402
Operating	85,158	7,828	92,986	76,309
Depreciation	72,955	—	72,955	29,574
Provision for Loan Losses and Forgiveness	—	(1,211)	(1,211)	—
Total Operating Expenses	158,113	196,883	354,996	224,285
Operating Income (Loss)	(10,220)	18,862	8,642	4,018
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	2,382	34,194	36,576	241
Interest and Investment Expense	(15,563)	(100)	(15,663)	(27)
Gain (Loss) on Disposal of Capital Assets	251	—	251	220
Other Nonoperating Revenues (Expenses)	74	(1,811)	(1,737)	1
Total Nonoperating Revenues (Expenses)	(12,856)	32,283	19,427	435
Income Before Capital Contributions and Transfers	(23,076)	51,145	28,069	4,453
Capital Contributions	53,900	5,088	58,988	7,095
Transfers In from Other Funds	—	410	410	7,197
Transfers (Out to) Other Funds	—	(410)	(410)	—
Change in Net Position	30,824	56,233	87,057	18,745
Total Net Position - Beginning of Year (Restated)	882,734	1,697,791	2,580,525	401,435
Total Net Position - End of Year	\$ 913,558	\$ 1,754,024	\$ 2,667,582	\$ 420,180

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

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ —	\$ 868	\$ 868	\$ —
Receipts from Customers	148,492	147	148,639	76
Receipts for Interfund Services Provided	—	—	—	99,926
Receipt of Principal from Loan Recipients	—	56,261	56,261	—
Receipt of Interest and Fees from Loan Recipients	—	11,506	11,506	—
Receipts from Insured	—	204,414	204,414	129,600
Payments to Employees	(50,603)	(4,632)	(55,235)	(27,258)
Payments to Suppliers	(39,009)	(2,834)	(41,843)	(53,889)
Payments to Other Governments	—	(968)	(968)	—
Payments to Loan Recipients	—	(45,879)	(45,879)	—
Claims Paid	—	(181,148)	(181,148)	(119,196)
Payments for Interfund Services Used	—	(654)	(654)	(3,158)
Other Receipts	—	621	621	2,041
Other Payments	—	(372)	(372)	—
Net Cash Provided (Used) by Operating Activities	58,880	37,330	96,210	28,142
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	—	(11,279)	(11,279)	—
Operating Subsidies and Transfers In from Other Funds	—	—	—	7,197
Federal Grants	74	—	74	—
Proceeds from Issuance of Short-term Debt	—	3,231	3,231	—
Payments on Short-term Debt	—	(3,231)	(3,231)	—
Interest and Fees Paid on Borrowing	—	(6)	(6)	—
Net Cash Provided (Used) by Noncapital Financing Activities	74	(11,285)	(11,211)	7,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Capital Assets	—	—	—	2,299
Acquisition and Construction of Capital Assets	(70,651)	—	(70,651)	(24,875)
Principal Paid on Capital Debt	(35,675)	—	(35,675)	(2,475)
Interest and Fees Paid on Capital Debt	(18,118)	—	(18,118)	(375)
Passenger Facility Charges	6,869	—	6,869	—
Federal Grants	61,398	5,088	66,486	—
Other Receipts (Payments)	—	3	3	—
Net Cash Provided (Used) by Capital and Related Financing Activities	(56,177)	5,091	(51,086)	(25,426)

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Statement of Cash Flows

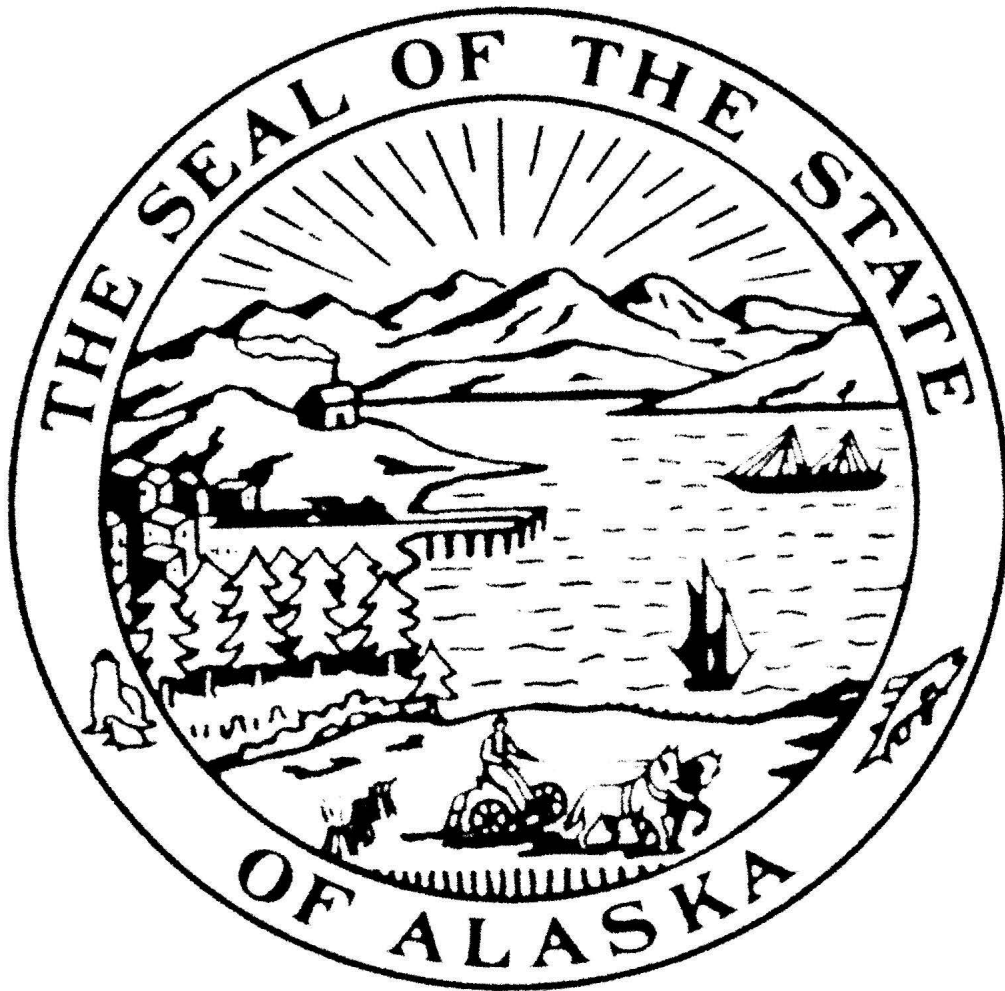
Proprietary Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	International Airports	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	236,039	126,203	362,242	—
Purchase of Investments	(233,657)	(149,431)	(383,088)	—
Interest and Dividends on Investments	—	22,408	22,408	240
Change in Restricted Cash and Investments	(6,340)	—	(6,340)	—
Net Cash Provided (Used) by Investing Activities	(3,958)	(820)	(4,778)	240
Net Increase (Decrease) in Cash	(1,181)	30,316	29,135	10,153
Cash and Cash Equivalents - Beginning of Year	68,284	786,421	854,705	137,734
Cash and Cash Equivalents - End of Year	\$ 67,103	\$ 816,737	\$ 883,840	\$ 147,887
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (10,220)	\$ 18,862	\$ 8,642	\$ 4,018
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	72,955	—	72,955	29,776
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Accounts Receivable - Net	71	6,026	6,097	994
Due from Other Funds	—	114	114	2,462
Due from Other Governments	—	55	55	—
Loans, Notes, and Bonds Receivable - Net	—	7,291	7,291	—
Repossessed Property	—	9	9	—
Interest and Dividends Receivable - Net	—	850	850	—
Inventories	—	—	—	(341)
Net OPEB Asset	(8)	5	(3)	(57)
Other Assets	—	1,233	1,233	(4,450)
Deferred Outflows of Resources	9,715	(396)	9,319	5,357
Due to Other Funds	—	(112)	(112)	(322)
Due to Other Governments	—	(47)	(47)	—
Accounts Payable and Accrued Liabilities	(2,466)	(421)	(2,887)	(5,362)
Net Pension Liability	(18,106)	(671)	(18,777)	(11,295)
Net OPEB Liability	(6,249)	(120)	(6,369)	389
Other Liabilities	1,683	4,189	5,872	142
Deferred Inflows of Resources	11,505	463	11,968	6,831
Net Cash Provided (Used) by Operating Activities	\$ 58,880	\$ 37,330	\$ 96,210	\$ 28,142
Reconciliation of Cash to the Statement of Net Position				
Total Cash and Investments per the Statement of Net Position	\$ 101,225	\$ 1,313,836	\$ 1,415,061	\$ 147,887
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(34,122)	(497,099)	(531,221)	—
Cash, End of Year	\$ 67,103	\$ 816,737	\$ 883,840	\$ 147,887
Noncash Investing, Capital, and Financing Activities				
Contributed Capital Assets	—	—	—	7,095
Transfers (Out to) Other Funds (Accrual)	—	(410)	(410)	—
Transfers In from Other Funds (Accrual)	—	410	410	—

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



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Fiduciary Funds

Financial Statements

Individual fund descriptions and financial statements are presented in the Combining Fund Statements.

Pension and Other Employee Benefit Trust Funds
Agency Funds



STATE OF ALASKA

STATEMENT 1.31

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 216,802	\$ 334,575
Investments:		192,843
Fixed Income	2,388,647	
Broad Domestic Equity	6,126,413	
Global Equity ex-US	5,614,017	
Opportunistic	2,542,582	
Private Equity Pool	2,413,123	
Absolute Return Pool	1,937,580	
Real Assets	4,990,045	
Pooled Investment Funds	3,574,326	
Collective Investment Funds	2,224,524	
Synthetic Investment Contracts	531,225	
Investment Loss Trust Fund Assets	1,999	—
Accounts Receivable - Net	352	14
Contributions Receivable	41,826	—
Securities Lending Collateral	94,071	—
Due from Other Funds	25,582	10,875
Other Assets	1,303	—
Total Assets	<u>32,724,417</u>	<u>538,307</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	8,168	4,093
Obligations Under Securities Lending	94,071	—
Forfeiture Payable to Employer	45,812	—
Claims Payable	62,318	—
Trust Deposits Payable	—	532,148
Due to Other Funds	350	2,066
Total Liabilities	<u>210,719</u>	<u>538,307</u>
NET POSITION		
Restricted for:		
Pension Benefits	14,995,615	—
Other Postemployment Benefits	11,150,235	—
Individuals, Organizations, and Other Governments	6,367,848	—
Total Net Position	<u>\$ 32,513,698</u>	<u>\$ —</u>

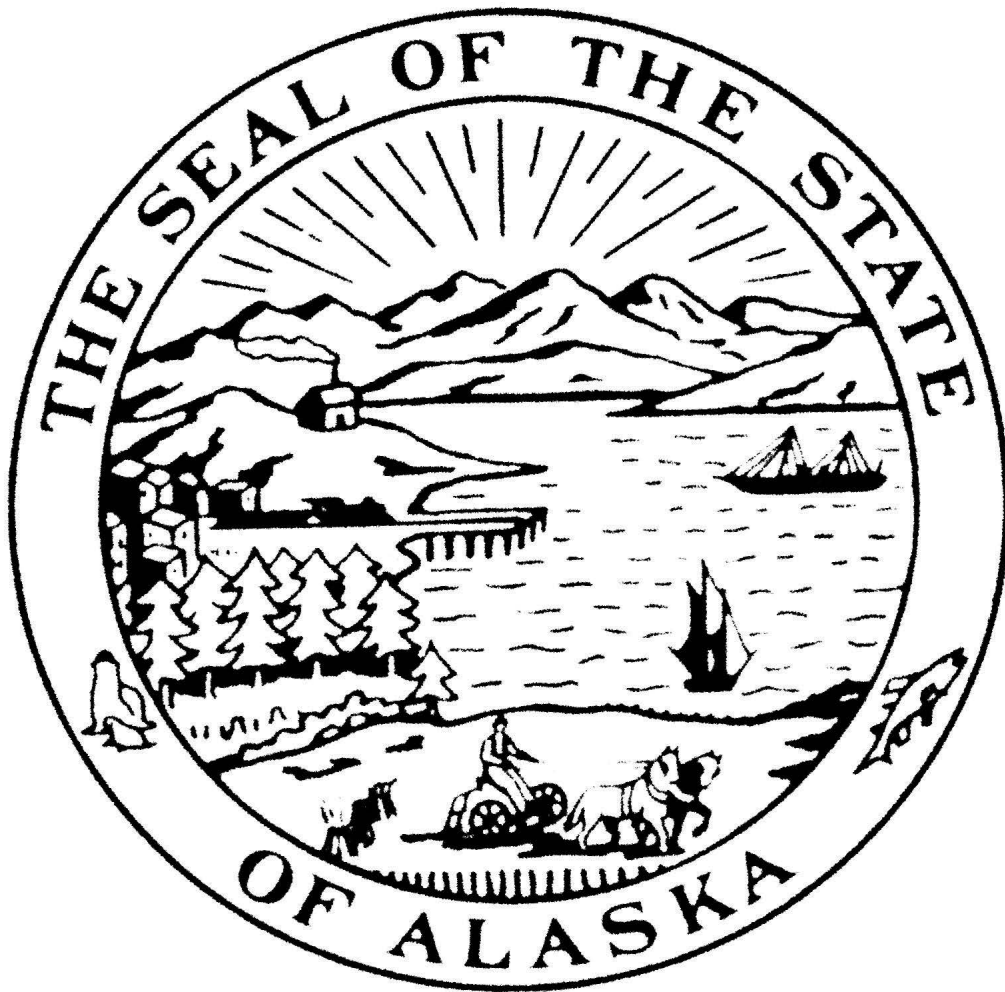
The notes to the financial statements are an integral part of this statement.

STATE OF ALASKA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018
(Stated in Thousands)

STATEMENT 1.32

	<u>Pension and Other Employee Benefit Trust Funds</u>
ADDITIONS	
Premiums and Contributions:	
Employer	\$ 673,592
Member	373,505
Other	189,861
Total Premiums and Contributions	<u>1,236,958</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	2,077,898
Interest	91,683
Dividends	346,820
Total Investment Income	<u>2,516,401</u>
Less Investment Expense	15,566
Net Investment Income	<u>2,500,835</u>
Securities Lending Income	3,745
Less Securities Lending Expense	687
Net Securities Lending Income	<u>3,058</u>
Other Additions	
Other	35,329
Total Additions	<u>3,776,180</u>
DEDUCTIONS	
Benefits Paid	2,098,092
Refunds of Premiums and Contributions	68,073
Administrative Expenses	40,321
Total Deductions	<u>2,206,486</u>
Net Increase (Decrease) in Net Position Restricted for:	
Pension Benefits	538,028
Other Postemployment Benefits	498,042
Individuals, Organizations, and Other Governments	533,624
Net Position - Beginning of the Year (Restated)	30,944,004
Net Position - End of the Year	<u>\$ 32,513,698</u>

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



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Component Units

Financial Statements

Component units are legally separate entities for which the primary government is financially accountable or such that their exclusion would cause the State's financial statements to be misleading or incomplete.

MAJOR COMPONENT UNITS

- **University of Alaska** - AS 14.40.040 - is established as a corporation and is an instrumentality of the State. The university is created and acts for the benefit of the State and the public in providing education in accordance with an express mandate of the constitution.
- **Alaska Housing Finance Corporation (AHFC)** - AS 18.56.020 - is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the State. The purpose of AHFC is to assist in providing decent, safe, and sanitary housing by financing mortgage loans.
- **Alaska Industrial Development and Export Authority (AIDEA)** - AS 44.88.020 - is a public corporation of the State and a political subdivision within the Department of Commerce, Community, and Economic Development. The purpose of AIDEA is to promote, develop, and advance the general prosperity and economic welfare of the people of Alaska; to relieve problems of unemployment; to create additional employment by providing various means of financing; and to facilitate the financing of industrial, manufacturing, export, and business enterprises within the State.

NONMAJOR COMPONENT UNITS

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



STATE OF ALASKA
Statement of Net Position
Component Units
June 30, 2018
(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	\$ 255,446	\$ 519,087	\$ 491,328	\$ 963,107	\$ 2,228,968
Accounts Receivable - Net	35,157	—	473	19,174	54,804
Interest and Dividends Receivable	523	14,119	4,733	25,133	44,508
Due from Primary Government	5,151	8,413	6	8,569	22,139
Due from Component Units	—	3,502	4,700	1	8,203
Due from Other Governments	27,776	2,148	—	19,293	49,217
Loans, Notes, and Bonds Receivable	1,513	3,132,436	537,452	1,278,519	4,949,920
Inventories	5,330	—	—	11,781	17,111
Net Investment in Direct Financing Leases	—	27,003	130,089	—	157,092
Investments in Projects, Partnerships, or Corporations	—	—	62,871	—	62,871
Restricted Assets	470,218	146,654	134,984	1,327,618	2,079,474
Securities Lending Collateral	—	—	—	15,802	15,802
Net OPEB Asset	—	—	36	29,542	29,578
Other Assets	12,581	14,621	164	4,145	31,511
Capital Assets:					
Equipment, Net of Depreciation	206,368	802	—	158,577	365,747
Buildings, Net of Depreciation	1,083,592	79,423	47,039	54,042	1,264,096
Library Books, Net of Depreciation	8,418	—	—	—	8,418
Infrastructure, Net of Depreciation	111,007	—	28,711	805,843	945,561
Museum Collections	7,349	—	—	—	7,349
Land / Right-of-Way	38,531	20,247	3,165	55,525	117,468
Construction in Progress	275,020	—	13,040	293,828	581,888
Total Assets	2,543,980	3,968,455	1,458,791	5,070,499	13,041,725
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	31,783	133,107	4,619	7,575	177,084
LIABILITIES					
Accounts Payable and Accrued Liabilities	42,518	12,595	1,548	54,321	110,982
Obligations Under Securities Lending	—	—	—	15,802	15,802
Due to Primary Government	—	161	1,586	12,212	13,959
Due to Component Units	16,317	—	—	4,933	21,250
Due to Other Governments	—	424	—	239	663
Interest Payable	3,491	9,985	2,012	18,414	33,902
Derivative Instruments	—	104,674	—	—	104,674
Other Current Liabilities	17,714	53,269	447	12,454	83,884

This statement continued on next page.

STATE OF ALASKA

STATEMENT 1.41

Statement of Net Position

Component Units

June 30, 2018

(Stated in Thousands)

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	11,827	2,002	—	2,624	16,453
Unearned Revenue	47,786	—	—	4,198	51,984
Notes, Bonds, and Leases Payable	14,540	65,355	5,770	117,978	203,643
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	2,261	—	2,238	4,499
Notes, Bonds, and Leases Payable	322,104	2,263,133	96,930	1,287,931	3,970,098
Net Pension Liabilities	217,682	35,660	9,843	29,732	292,917
Net OPEB Liabilities	32,777	5,765	1,622	2,369	42,533
Other Noncurrent Liabilities	7,638	—	12,770	105	20,513
Total Liabilities	<u>734,394</u>	<u>2,555,284</u>	<u>132,528</u>	<u>1,565,550</u>	<u>4,987,756</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	<u>38,985</u>	<u>7,582</u>	<u>2,237</u>	<u>575,038</u>	<u>623,842</u>
NET POSITION					
Net Investment in Capital Assets	1,374,668	100,472	91,955	638,812	2,205,907
Restricted for:					
Permanent Funds					
Nonexpendable	—	—	—	464,385	464,385
Expendable	—	—	—	204,407	204,407
Education	446,137	—	—	—	446,137
Development	—	—	375	121,901	122,276
Debt Service	12,584	611,237	—	87,393	711,214
Other Purposes	—	177,308	—	1,170,418	1,347,726
Unrestricted	(31,005)	649,679	1,236,315	250,170	2,105,159
Total Net Position	<u>\$ 1,802,384</u>	<u>\$ 1,538,696</u>	<u>\$ 1,328,645</u>	<u>\$ 2,937,486</u>	<u>\$ 7,607,211</u>

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

STATE OF ALASKA

STATEMENT 1.42

Statement of Activities

Component Units

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Expenses	Program Revenues		
		Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Component Units				
University of Alaska	\$ 769,372	\$ 194,486	\$ 232,857	\$ 54,172
Alaska Housing Finance Corporation	212,822	146,639	55,113	32,382
Alaska Industrial Development and Export Authority	95,861	56,667	1,422	44,474
Nonmajor Component Units	430,905	258,988	139,298	661
Total Component Units	<u>\$ 1,508,960</u>	<u>\$ 656,780</u>	<u>\$ 428,690</u>	<u>\$ 131,689</u>

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Statement of Activities

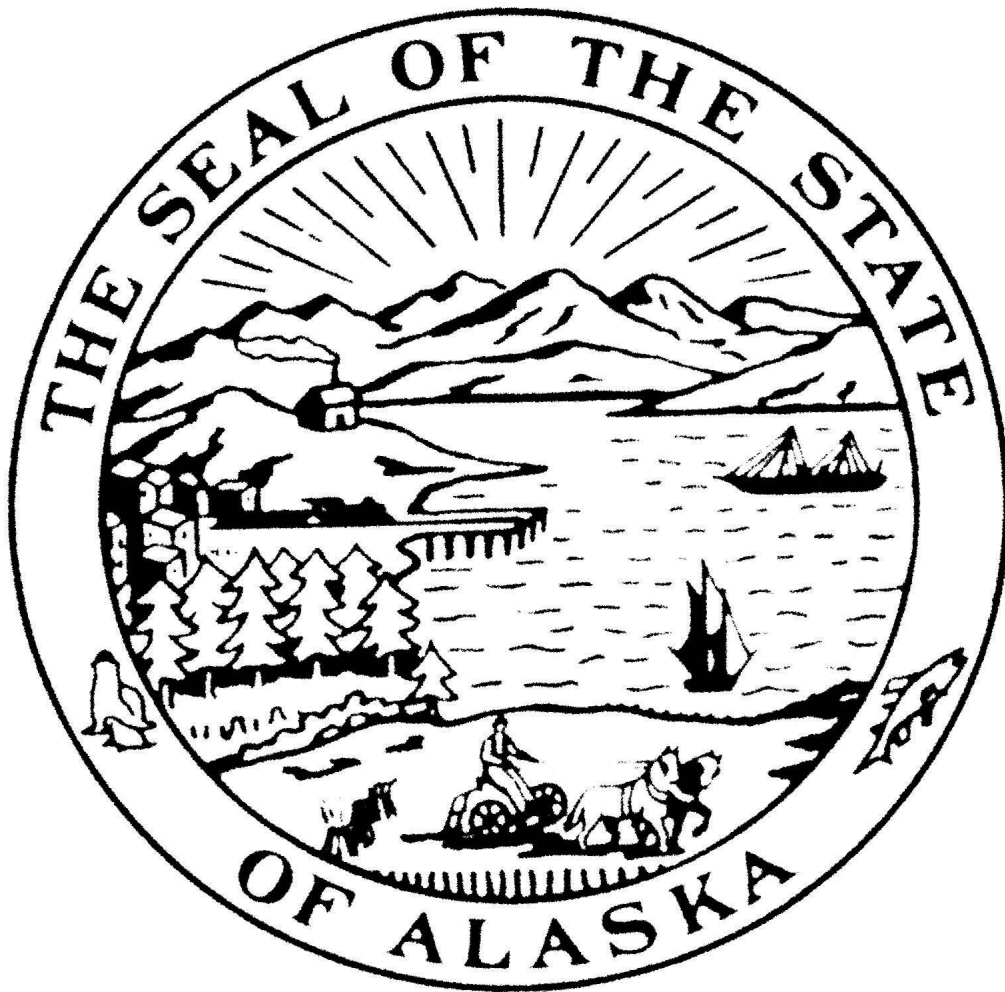
Component Units

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Net (Expense) Revenue and Changes in Net Position				
	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
FUNCTIONS/PROGRAMS					
Component Units					
University of Alaska	\$ (287,857)				\$ (287,857)
Alaska Housing Finance Corporation		21,312			21,312
Alaska Industrial Development and Export Authority			6,702		6,702
Nonmajor Component Units				(31,958)	(31,958)
Total Component Units	<u>(287,857)</u>	<u>21,312</u>	<u>6,702</u>	<u>(31,958)</u>	<u>(291,801)</u>
General Revenues:					
Interest and Investment Income (Loss)	23,206	10,000	(39)	81,221	114,388
Payments In from Primary Government	325,302	—	—	10,020	335,322
Other Revenues	—	2,149	6,744	495	9,388
Total General Revenues and Contributions	<u>348,508</u>	<u>12,149</u>	<u>6,705</u>	<u>91,736</u>	<u>459,098</u>
Change in Net Position	60,651	33,461	13,407	59,778	167,297
Net Position - Beginning of Year (Restated)	1,741,733	1,505,235	1,315,238	2,877,708	7,439,914
Net Position - End of Year	<u>\$ 1,802,384</u>	<u>\$ 1,538,696</u>	<u>\$ 1,328,645</u>	<u>\$ 2,937,486</u>	<u>\$ 7,607,211</u>

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



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Notes to the Basic Financial Statements



**STATE OF ALASKA
INDEX
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For the Fiscal Year Ended June 30, 2018**

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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. Preparation of financial statements in conformity with GAAP requires the use of estimates, as disclosed in the applicable notes.

A. THE FINANCIAL REPORTING ENTITY

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

The following component units are included in the accompanying financial statements. Blended component units, although legally separate entities, are, in substance, part of the State's operations and provide services entirely or almost entirely to the State. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State. The determination that a discretely presented component unit is "major" is based on the nature and significance of its relationship to the primary government. Fiduciary component units are reported in the fiduciary section of the fund financial statements and are not included in the government-wide financial statements. Individual component unit financial reports may also be obtained from these organizations as indicated.

BLENDED COMPONENT UNITS

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

The **Alaska Permanent Fund Corporation** (APFC) is a public corporation and government instrumentality in the Department of Revenue, Alaska Statute (AS) 37.13.040. A governor-appointed six-member board manages APFC. The Legislature approves APFC's budget. The purpose of APFC is to manage and invest the assets of the Alaska Permanent Fund (Fund) and other funds designated by law. The Fund is a savings device, restricted as to usage, which belongs to all the people of Alaska. It was created in 1976 when the voters approved an amendment to the State Constitution. The beneficiaries of the Fund are all present and future generations of Alaskans. The Fund represents 90 percent of the total cash and investments and 87 percent of total government-wide net position excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

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

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

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

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

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

The **Alaska State Council on the Arts (ASCA)** is a public corporation and an instrumentality of the State within the Department of Education and Early Development, but with a legal existence independent of and separate from the State (AS 44.27.040). The Governor appoints members of the ASCA board of directors. The Legislature approves ASCA's budget. ASCA was created for the purpose of stimulating and encouraging throughout the State the study and presentation of the performing, visual, literary, and fine arts and public interest, participation, and investment in the arts. ASCA financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Special Revenue Funds as supplementary information. There are no separately issued financial statements for ASCA.

DISCRETELY PRESENTED COMPONENT UNITS

The **Alaska Aerospace Corporation (AAC)** is a public corporation of the State located for administrative purposes within the Department of Military and Veterans Affairs (AS 26.27.010). The Governor appoints the voting members of the AAC board of directors and the Legislature approves AAC's budget. AAC is also affiliated with the University of Alaska but with a separate and independent legal existence. The purpose of AAC is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, to provide a unified direction for space-related economic growth, education and research development, and tourism related activities. AAC is also to promote the continued utilization of the Poker Flat Research Range as a launch site for launch vehicles and for scientific research. Additionally, AAC is to promote and encourage the continued utilization of Poker Flat Research Range for the University of Alaska's polar research efforts. AAC financial statements may be obtained from the Alaska Aerospace Corporation, 4300 B Street, Suite 101, Anchorage, AK 99503.

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

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

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

The **Alaska Gasline Development Corporation (AGDC)** is a public corporation and governmental instrumentality within the Department of Commerce, Community, and Economic Development, but having a legal existence independent and separate from the State (AS 31.25.010). Currently, the commissioners of the departments of Commerce, Community and Economic

Development; and Labor and Workforce Development, and five independent public members appointed by the Governor and confirmed by the Legislature comprise the AGDC board of directors. The Legislature appropriates the budget for AGDC for the purpose of planning, constructing, and financing in-state natural gas pipeline projects. The corporation has the power to borrow money and issue bonds on its own behalf. AGDC financial statements may be obtained from the Alaska Gasline Development Corporation, 3201 C Street, Suite, 200, Anchorage, AK 99503.

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

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

The **Alaska Mental Health Trust Authority (AMHTA)** is established as a public corporation of the State within the Department of Revenue (AS 47.30.011). The Governor appoints the AMHTA board of trustees. The Legislature approves AMHTA's budget. The purpose of AMHTA is to ensure an integrated comprehensive mental health program. As provided in AS 37.14.009, AMHTA is to administer the trust established under the Alaska Mental Health Enabling Act of 1956. AMHTA financial statements may be obtained from the Alaska Mental Health Trust Authority, 3745 Community Park Loop, Suite 200, Anchorage, AK 99508.

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

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

The **Alaska Student Loan Corporation (ASLC)** is a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the State (AS 14.42.100). ASLC is governed by a board of directors appointed by the Governor. The Legislature approves ASLC's budget. The purpose of ASLC is to improve higher educational opportunities for residents of the State. ASLC financial statements may be obtained from the Alaska Commission on Postsecondary Education, P.O. Box 110505, Juneau, AK 99811-0505.

The **University of Alaska** is established as a corporation and is an instrumentality of the State (AS 14.40.040), and is a major component unit. A board of regents appointed by the Governor and confirmed by the Legislature governs the university. The Legislature approves the university's budget. The university is created and acts for the benefit of the State and the public in providing education in accordance with an express mandate of the constitution. The financial statements of the university include the assets, liabilities, and related activity of the University of Alaska Foundation, a legally separate nonprofit component unit. The university is not accountable for, nor has ownership of, the foundation's resources. The university's

financial statements may be obtained from the University of Alaska, Statewide Fund Accounting, 209 Butrovich Building, P.O. Box 756540, Fairbanks, AK 99775-6540.

The **Alaska Seafood Marketing Institute** (ASMI) is a public corporation of the State (AS 16.51.010). It is an instrumentality of the State with a legal existence independent of and separate from the State. ASMI is governed by a board of directors appointed by the Governor, and its budget is approved by the Legislature. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and to develop market-oriented quality specifications. Exercise of the powers conferred by statute to ASMI is an essential governmental function. ASMI financial statements are included in the Combining Fund section of this CAFR with the Nonmajor Component Units. In addition, fund financial statements are included as other supplementary information, since there are no separately issued financial statements for ASMI.

FIDUCIARY COMPONENT UNITS

The **Public Employees' Retirement System** (PERS) was established by AS 39.35.095 (defined benefit) and AS 39.35.700 (defined contribution). The Commissioner of the Department of Administration or the commissioner's designee is the administrator of PERS. The administrator is responsible for the administration of PERS in accordance with State statutes. The Commissioner of the Department of Administration adopts regulations to govern the operation of the PERS. Hearings and rulings on the appeal of the decision of the administrator are in the jurisdiction of the Office of Administrative Hearings (OAH). The Alaska Retirement Management Board (ARMB) approves employers' rates. PERS costs, based upon actuarial valuations, are funded by the State, participating governmental employers, and participants. PERS is reported in the fiduciary fund types as a pension (and other employee benefit) trust fund. The ARMB is the fiduciary of PERS and consists of nine trustees: the Commissioners of the Department of Administration and Revenue; two members of the general public; one member who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two members of PERS; and two members of TRS. All members of the ARMB are appointed by and serve at the pleasure of the Governor.

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

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

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

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

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

Copies of the audited financial statements for the retirement systems (excluding NGNMRS), and for SBS and DCP, may be obtained from the Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or from their website at <http://doa.alaska.gov/drb/>.

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 current financial reporting model focus is on either the State as a whole (government-wide statements), or on major individual funds (fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

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

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

- **Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other borrowing that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted Net Position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** consists of net position that does not meet the definition of the two preceding categories. The unrestricted net position often is designated to indicate management does not consider them available for general operations (see note 1.F.). The unrestricted net position often has constraints on resources that are imposed by management, but can be modified or removed.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements focus on major funds, of which the State has three: the General Fund and the Alaska Permanent Fund, both of which are governmental funds; and the International Airports Fund, which is an enterprise fund. All nonmajor funds are summarized into a single column on the respective fund statements: governmental; proprietary, which includes enterprise and internal service fund types; and fiduciary, which includes pension (and other employee benefit) trust funds, and agency funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to finance operations during the current year or to liquidate liabilities existing at the end of the year (collectible within 60 days of fiscal year end). When an asset is recorded in governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes

available. Major revenues that are determined to be susceptible to accrual include federal, charges for services, investment income, and petroleum related taxes and royalties.

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

Pension (and other employee benefits) trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans. These funds account for the Alaska National Guard and Alaska Naval Militia Retirement System, Deferred Compensation, Judicial Retirement System, Public Employees' Retirement System, Supplemental Benefits System, and Teachers' Retirement System.

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

E. FISCAL YEAR ENDS

All funds and discretely presented component units of the State are reported using fiscal years which end on June 30, except the Alaska Railroad Corporation whose fiscal year ends on December 31.

F. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCE

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net position and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the State and its component units. Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investment purchases and sales are recorded on a trade-date basis.

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

Equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Private equity investments are valued quarterly by the general partners and investment sponsors. Underlying assets comprise venture capital, buyout, restructuring and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

Absolute return investments are valued monthly by the general partners. Underlying assets comprise hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

The energy related investments consist primarily of loans and preferred stock that are valued at fair value.

Real estate, farmland, private infrastructure and timber investments are valued quarterly by investment managers and are appraised annually by independent appraisers or valued by valuation specialists.

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the State's General Fund and Other Non-segregated Investment (GeFONSI) pool, the Short-term Fixed Income Pool, Short-term Treasury Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2018, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool, the Short-term Liquidity Pool, and the Intermediate-term Fixed Income Pool.

RECEIVABLES

Receivables have been established and offset with proper provisions for estimated uncollectible accounts where applicable. The amount of noncurrent receivables does not constitute expendable available financial resources and therefore are not available for appropriation.

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES AND PREPAID ITEMS

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CAPITAL ASSETS

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

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

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

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

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that State employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. This liability is recognized and reported in the government-wide and proprietary fund financial statements. As of June 30, 2018, the State’s estimated liability for compensated absences, as reported in the government-wide Statement of Net Position, is \$166.2 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee. See Note 12 for disclosure of the amount of the sick leave contingency.

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

DEFERRED OUTFLOW/INFLOW OF RESOURCES

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

NET POSITION / FUND BALANCE

Fund assets and deferred outflow less liabilities and deferred inflows is “net position” on the government-wide, proprietary, and fiduciary fund statements, and is “fund balance” on the governmental fund statements.

FUND BALANCE COMPONENTS

The fund balance amounts for governmental funds are reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- Restricted fund balance has constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balance can be used only for specific purposes pursuant to constraints imposed by a formal action of the Alaska Legislature, the State’s highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.
- Assigned fund balance includes amounts that are constrained by the State’s intent to be used for a specific purpose, but are neither restricted nor committed. The Alaska Legislature is the body authorized by the Alaska State Constitution to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign the funds in the Earnings Reserve Account, a component of the Alaska Permanent Fund.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

The appropriated balance in the General Fund (fund 1004) is committed, and the remaining balance is unassigned. All other governmental funds, including subfunds of the General Fund are presented as restricted or committed, with the exception of the three subfunds of the General Fund and a Capital Project fund as unassigned. The spendable portion of the Alaska Permanent Fund is classified as assigned.

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

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

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

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2018 (in thousands):

	General	Permanent	Special Revenue	Debt Service	Capital Projects
Nonspendable:					
Inventory	\$ 24,755	\$ —	\$ —	\$ —	\$ —
Principal	—	46,680,957	—	—	—
Advances and Prepaid Items	68,982	—	4,236	—	—
Total Nonspendable	<u>93,737</u>	<u>46,680,957</u>	<u>4,236</u>	<u>—</u>	<u>—</u>
Restricted:					
Debt Service	4,678	—	—	42,784	—
Education	15,355	—	6,513	—	23,803
Health & Human Services	643	—	16,792	—	—
Development	25,830	—	42,847	—	104,920
Other Purposes	3,343	—	186	—	—
Total Restricted	<u>49,849</u>	<u>—</u>	<u>66,338</u>	<u>42,784</u>	<u>128,723</u>
Committed:					
Education					
School Foundation Support	7,461	—	—	—	—
Pupil Transportation	498	—	—	—	—
Education Services	361,288	—	5,365	—	—
Construction & Maintenance	264,857	—	—	—	—
Public School Program Support	—	1,445	—	—	—
Health & Human Services	147,770	—	—	—	—
Public Protection	124,357	—	2,488	—	—
Permanent Fund					
Dividend Payments	7,816	—	—	—	—
Development					
Natural Resources	107,759	—	—	—	—
Transportation	597,575	—	—	—	—
Other	274,297	—	47,129	—	—
Other Purposes	81,517	—	—	—	—
Earnings Reserve Transferable to the General Fund	—	2,722,654	—	—	—
Total Committed	<u>1,975,195</u>	<u>2,724,099</u>	<u>54,982</u>	<u>—</u>	<u>—</u>
Assigned:					
Assigned for Future Appropriations					
Realized Earnings	—	13,739,046	—	—	—
Unrealized Appreciation on Invested Assets	—	2,402,653	—	—	—
Total Assigned	<u>—</u>	<u>16,141,699</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unassigned	1,863,474	—	—	—	—
Total Fund Balance	<u>\$ 3,982,255</u>	<u>\$ 65,546,755</u>	<u>\$ 125,556</u>	<u>\$ 42,784</u>	<u>\$ 128,723</u>

NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$47.9 billion of restricted net position for the primary government, of which \$23.8 million is restricted by enabling legislation.

NOTE 2 – BUDGETING, BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

Appropriations, as enacted by the legislature and signed by the governor, are entered into the accounting records. The balance of an appropriation is reduced when funds are expended or encumbered. Appropriations are encumbered for anticipated expenditures in the form of purchase orders, contracts, and other obligations. Encumbrances outstanding at year-end are reported within restricted, committed or assigned fund balance based upon the resources that eventually will fund those grants or contracts, and do not constitute expenditures or liabilities. See Note 12 for additional information on encumbrances within the governmental funds. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Generally, transfers between appropriations are not authorized. Agencies faced with potential over expenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 18, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental appropriations for the FY 18 operating budget was \$687.5 million, of which \$142.6 million was from the General Fund, \$6.7 million was from other funds, and \$538.2 million was appropriated from federal funds. In addition, total supplemental appropriations for the FY 18 capital budget was \$45.4 million, of which \$34.3 million was appropriated from the General Fund and \$11.1 million was appropriated from other funds. Additionally, \$43.9 million was transferred between funds. Fund transfers are typically not counted as operating or capital appropriations, as a fund transfer is only moving money from one fund to another fund within the treasury. A separate appropriation is required for the money to leave the treasury.

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

SPENDING LIMITS

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 18, the Office of Management and Budget estimated the limit to be approximately \$10.1 billion. The FY 18 budget passed by the legislature after vetoes was \$5.1 billion (unrestricted General Fund revenues only), or \$5.0 billion less than the constitutional spending limit.

CONSTITUTIONAL BUDGET RESERVE FUND

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

The fund was established to enhance budget stability by depositing certain monies into the CBRF (where they could not be easily spent) rather than into the General Fund (where they would be readily available for appropriation for expenditure). Money may be appropriated from the fund in accordance with the provisions of section 17(b) and (c).

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states “If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.” All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11 through FY 14.

The following is a schedule of amounts appropriated from the CBRF, the amounts transferred back to the CBRF from the General Fund as provided in section 17(d) (in thousands). The paragraphs following the schedule provide an explanation of the entries.

Chapter 18, SLA 2014, Section 48	\$ 3,000,000
Subtotal FY 15	<u>3,000,000</u>
Chapter 1, SSLA 2015, Section 12(b)	3,617,867
Article IX, Section 17(d) Alaska Constitution (FY 16)	(522,510)
Subtotal FY 16	<u>3,095,357</u>
Chapter 3, 4SSLA 2016, Section 35(a)	522,510
Chapter 3, 4SSLA 2016, Section 35(b)	3,033,935
Article IX, Section 17(d) Alaska Constitution (FY 17)	(479,729)
Subtotal FY 17	<u>3,076,716</u>
Chapter 1, SSSLA 2017, Section 45(a)	479,729
Chapter 1, SSSLA 2017, Section 45(b)	1,800,000
Chapter 1, SSSLA 2017, Section 45(c)	66,095
Correction of Prior Year Error	(1,170,209)
Article IX, Section 17(d) Alaska Constitution (FY 18)	(431,688)
Subtotal FY 18	<u>743,927</u>
Total appropriated from the CBRF	<u><u>\$ 9,916,000</u></u>

The schedule above 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. The amount was fully repaid at the end of FY 10, so this schedule shows the repayment activity that has occurred prospectively.

SLA 2014, Chapter 18, Section 48 (a) appropriated the sum of \$1 billion to the defined benefit plan account in the Public Employees Retirement and (b) appropriated \$2 billion to the defined benefit plan account in the Teachers’ Retirement System from the CBRF as additional state contributions for the fiscal year ending June 30, 2015, which results in a liability of the General Fund.

SSLA 2015, Chapter 1, Section 12(b) appropriated additional amounts from the CBRF to the general fund to fund any shortfalls between state revenue and general fund appropriations for fiscal year 2016.

4SSLA 2016, Chapter 3, Section 35(b) appropriated additional amounts from the CBRF to the general fund to fund any shortfalls between state revenue and general fund appropriations for fiscal year 2017.

SSSLA 2017, Chapter 1, Section 45(b) and (c) appropriated additional amounts from the CBRF to the general fund to fund any shortfalls between state revenue and general fund appropriations for fiscal year 2018.

During prior tax years 1997 through 2017, amounts paid to the State of Alaska as a result of Federal Regulatory Commission (FERC) disputes were erroneously deposited into the CBRF. As determined by the Alaska Attorney General, a FERC case is not an administrative proceeding or litigation involving production tax or royalty for the purposes of the CBRF fund amendment. The amount due to be repaid to the CBRF from the General Fund has been reduced by these amounts.

The CBRF fund balance as of June 30, 2018 was \$13,016 million.

STATUTORY BUDGET RESERVE FUND

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

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

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

SLA 2014, Chapter 16, Section 34, states that if the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2015, is insufficient to cover General Fund appropriations made for the fiscal year ending June 30, 2015, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the General Fund is appropriated from the budget reserve fund (AS 37.05.540(a)) to the General Fund. For FY 15, this resulted in a year-end transfer from the SBRF to the General Fund for \$2,503 million.

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. For FY 18, this resulted in a year-end sweep from the SBRF to the General Fund for transfer to the CBRF in the amount of \$184 million.

NOTE 3 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In the fund financial statements, governmental funds reported deferred inflows of resources of \$365,311 thousand as this amount represents revenues that are earned and measurable, but not available within two months of the end of the reporting period.

Deferred Outflows and Inflows of Resources reported in the government-wide Statement of Net Position as of June 30, 2018 consisted of the following (in thousands):

Deferred Outflows and Inflows of Resources

	Primary Government		Discrete Component Units
	Governmental Activities	Business-Type Activities	
Deferred Outflows:			
Change in Fair Value-Interest Rate Swaps	\$ —	\$ —	\$ 103,394
Deferred Charge on Bond Refundings	8,943	—	26,061
Deferred Lease Obligation	—	—	3,127
Deferred Outflows Related to Postretirement Benefits	103,990	1,458	9,146
Deferred Outflows Related to Pensions	776,465	6,260	35,356
Total Deferred Outflows	<u>\$ 889,398</u>	<u>\$ 7,718</u>	<u>\$ 177,084</u>
Deferred Inflows:			
Unearned Grant Revenue	\$ —	\$ —	\$ 565,073
Deferred Inflows Related to Postretirement Benefits	285,433	5,206	23,040
Deferred Inflows Related to Pensions	128,733	7,702	35,729
Total Deferred Inflows	<u>\$ 414,166</u>	<u>\$ 12,908</u>	<u>\$ 623,842</u>

Internal service funds predominantly serve the governmental funds. Accordingly, deferred outflows and deferred inflows for internal service funds are included as part of the above totals for governmental activities.

The internal service fund total of \$4,374 thousand in deferred outflows: \$2,384 thousand (\$450 thousand for OPEB and \$1,934 thousand for pension) is reported in the Highways Equipment Working Capital Fund, \$1,851 thousand (\$350 thousand for OPEB and \$1,501 thousand for pension) in the Information Services Fund, and \$139 thousand (\$26 thousand for OPEB and \$113 thousand for pension) in the Alaska Public Building Fund. Note 6 provides additional information on these deferred outflows.

The internal service fund total of \$7,318 thousand in deferred inflows: \$3,989 thousand (\$1,610 thousand for OPEB and \$2,379 thousand for pension) is reported in the Highways Equipment Working Capital Fund, \$3,096 thousand (\$1,249 thousand for OPEB and \$1,847 thousand for pension) in the Information Services Fund, and \$233 thousand (\$94 thousand for OPEB and \$139 thousand for pension) in the Alaska Public Building Fund. Note 6 provides additional information on these deferred inflows.

The business-type activities total of \$7,718 thousand in deferred outflows: \$7,360 thousand (\$1,390 thousand for OPEB and \$5,970 thousand for pension) is reported in the International Airports Fund, \$16 thousand (\$3 thousand for OPEB and \$13 thousand for pension) in the Agricultural Revolving Loan Fund, \$285 thousand (\$54 thousand for OPEB and \$231 thousand for pension) in the Commercial Fishing Revolving Loan Fund, \$41 thousand (\$8 thousand for OPEB and \$33 thousand for pension) in the Fisheries Enhancement Revolving Loan Fund, \$9 thousand (\$2 thousand for OPEB and \$7 thousand for pension) in the Alaska Capstone Avionics Revolving Loan Fund, \$1 thousand (for pension) in the Commercial Charter Fisheries Revolving Loan Fund, \$1 thousand (for pension) in the Mariculture Revolving Loan Fund, \$1 thousand (for pension) in the Alaska Microloan Revolving Loan Fund, and \$4 thousand (\$1 thousand for OPEB and \$3 thousand for pension) in the Bulk Fuel Loan Fund. Note 6 provides additional information on these deferred inflows.

The business-type activities of \$12,908 thousand in deferred inflows: \$12,311 thousand (\$4,967 thousand for OPEB and \$7,344 thousand for pension) is reported in the International Airports Fund, \$26 thousand (\$10 thousand for OPEB and \$16 thousand for pension) in the Agricultural Revolving Loan Fund, \$477 thousand (\$192 thousand for OPEB and \$285 thousand for pension) in the Commercial Fishing Revolving Loan Fund, \$68 thousand (\$27 thousand for OPEB and \$41 thousand for pension) in the Fisheries Enhancement Revolving Loan Fund, \$15 thousand (\$6 thousand for OPEB and \$9 thousand for pension) in the Alaska Capstone Avionics Revolving Loan Fund, \$2 thousand (\$1 thousand for OPEB and \$1 thousand for pension) in the Commercial Charter Fisheries Revolving Loan Fund, \$2 thousand (\$1 thousand for OPEB and \$1 thousand for pension) in the Mariculture Revolving Loan Fund, \$1 thousand (for pension) in the Alaska Microloan Revolving Loan Fund, and \$6 thousand (\$2 thousand for OPEB and \$4 thousand for pension) in the Bulk Fuel Loan Fund. Note 6 provides additional information on these deferred inflows.

The component unit total of \$103,394 thousand in deferred outflows: change in fair value-interest rate swaps is reported in the Alaska Housing Finance Corporation. Note 6 provides additional information on these interest rate swaps.

Of the component unit total of \$26,061 thousand in deferred outflows: deferred charge on bond refundings; \$24,487 thousand is reported in the Alaska Housing Finance Corporation, \$10 thousand in the Alaska Energy Authority, \$121 thousand in the Alaska Industrial Development and Export Authority, and \$1,443 thousand in the University of Alaska.

Of the component unit total of \$3,127 thousand in deferred outflows: deferred lease obligation is reported in the Alaska Industrial Development and Export Authority as a result of refunding bonds associated with the Snettisham Hydroelectric project. The restricted direct financing lease will be amortized over the remaining life of the lease.

Of the component unit total of \$9,146 thousand in deferred outflows related to postretirement benefits: \$1,410 thousand is reported in the Alaska Railroad Corporation, \$1,192 thousand in the Alaska Housing Finance Corporation, \$82 thousand in the Alaska Aerospace Corporation, \$148 thousand in the Alaska Gasline Development Corporation, \$187 thousand in the Alaska Industrial Development Export Authority, \$31 thousand in the Alaska Seafood and Marketing Institute, \$5,958 thousand in the University of Alaska, and \$138 thousand in the Alaska Mental Health Trust Authority.

Of the component unit total of \$35,356 thousand in deferred outflows related to pension: \$4,043 thousand is reported in the Alaska Railroad Corporation, \$4,034 thousand in the Alaska Housing Finance Corporation, \$354 thousand in the Alaska Aerospace Corporation, \$630 thousand in the Alaska Gasline Development Corporation, \$1,184 thousand in the Alaska Industrial Development and Export Authority, \$134 thousand in the Alaska Seafood Marketing Institute, \$24,382 thousand in the University of Alaska, and \$595 thousand in the Alaska Mental Health Trust Authority. Note 6 provides additional information on these deferred outflows.

The component unit total of \$565,073 thousand in deferred inflows: unearned grant revenue is reported in the Alaska Railroad Corporation and is made up of grant revenues.

The component unit total of \$23,040 thousand in deferred inflows related to postretirement benefits: \$1,582 thousand is reported in the Alaska Railroad Corporation, \$3,115 thousand in the Alaska Housing Finance Corporation, \$294 thousand in the Alaska Aerospace Corporation, \$578 thousand in the Alaska Gasline Development Corporation, \$903 thousand in the Alaska Industrial Development Export Authority, \$111 thousand in the Alaska Seafood Marketing Institute, \$15,962 thousand in the University of Alaska, and \$495 thousand in the Alaska Mental Health Trust Authority.

Of the component unit total of \$35,729 thousand in deferred inflows related to pensions: \$4,447 thousand is reported in the Alaska Railroad Corporation; \$4,467 thousand in the Alaska Housing Finance Corporation, \$435 thousand in the Alaska Aerospace Corporation, \$1,126 thousand in the Alaska Gasline Development Corporation, \$1,334 thousand in the Alaska Industrial Development and Export Authority, \$165 thousand in the Alaska Seafood Marketing Institute, \$23,023 thousand in the University of Alaska, and \$732 thousand in the Alaska Mental Health Trust Authority. Note 6 provides additional information on these deferred inflows.

NOTE 4 – DEPOSIT AND INVESTMENT RISK

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

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

By law, all deposits and investments are under the fiduciary responsibility of the Commissioner of the Department of Revenue (Commissioner) except where the legislature has delegated that responsibility to other entities or boards responsible for separate subdivisions of 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 Retirement

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

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

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

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

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

Combined schedule of invested assets as of June 30, 2018 is as follows:

Fair Value (in thousands)											
Investment Type	Short-term Fixed Income Pool	Non-interest Bearing Deposits	Intermediate -term Fixed Income Pool	Broad Market Fixed Income Pool	High Yield Fixed Income Pool	Domestic Equity Pool	International Equity Pool	Real Estate Investment Trust Pool	Tax Credit Loans	Tobacco Revenue Fixed Income	Income Receivable (Payable)
General Fund and GeFONSI	\$ 1,245,546	\$ 3,694	\$ 1,451,095	\$ 159,959	\$ 91,695	\$ 227,574	\$ 140,351	\$ 34,880	\$ 14,920	\$ 13,548	\$ 1,933
Constitutional Budget Reserve Fund	1,585,938	—	—	569,237	75,790	73,701	27,859	24,858	—	—	2,747
Public School Trust Fund											
Principle	998	—	—	260,466	27,107	214,607	119,523	28,188	—	—	(1,023)
Income	425	—	—	—	—	—	—	—	—	—	1,033
Investment Loss Trust Fund	2,588	—	—	—	—	—	—	—	—	—	5
General Obligation Bond Fund	135,482	—	—	—	—	—	—	—	—	—	240
International Airports Construction Fund	43,210	—	—	—	—	—	—	—	—	—	76
International Airports Fund	88,957	—	—	25,205	3,434	3,174	1,182	1,126	—	—	150
Power Cost Equalization Endowment Fund	45	—	—	300,857	44,739	420,801	248,729	58,207	—	—	—
Retiree Health Insurance Fund											
Major Medical	17,420	—	—	—	—	—	—	—	—	—	31
Long-Term Care	8,926	—	—	263,509	20,798	123,381	67,784	21,627	—	—	14
Mine Reclamation Fund	1	—	—	323	47	444	262	61	—	—	—
Total Invested Assets	\$ 3,129,536	\$ 3,694	\$ 1,451,095	\$ 1,579,556	\$ 263,610	\$ 1,063,682	\$ 605,690	\$ 168,947	\$ 14,920	\$ 13,548	\$ 5,206

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2018, the expected average life of individual fixed rate securities ranged from 2 days to 4.03 years and the expected average life of floating rate securities ranged from 12 days to 21.6 years.

Short-term Liquidity Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2018, this pool is in the process of liquidation.

Short-term Treasury Fixed Income Pool

Treasury's investment policy limits individual fixed rate securities to six months to maturity. These constraints apply to the trade date, except for securities bought at new issues, for which settlement date applies. At June 30, 2018, this pool held no securities or cash.

Intermediate, Broad Market, and High Yield Fixed Income Pools

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. Treasury uses industry-standard analytical software developed by The Yield Book, Inc. to calculate effective duration. The software considers various possible future interest rates, historical and estimated prepayment rates, call options, and other variable cash flows for purposes of the effective duration calculation.

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

Intermediate-term Fixed Income Pool - \pm 20% of the Barclays 1-3 Year Government Bond Index.

Broad Market Fixed Income Pool - \pm 20% of the Barclays Capital U.S. Aggregate Bond Index.

High Yield Fixed Income Pool - \pm 20% of the US High Yield Ba ex 144As 2% Cap Bond Index.

At June 30, 2018, the effective duration by investment type was as follows:

	<u>Effective Duration (in years)</u>
Corporate Bonds	6.25
Mortgage-backed	4.65
Municipal Bonds	13.87
Other Asset-backed	0.73
U.S. Government Agency	7.22
U.S. Treasury Issuances	2.92
Yankee Corporate	4.42
Yankee Government	5.69
Portfolio Effective Duration	4.01

Credit Risk

Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

Short-term Liquidity and Short-term Treasury Pools' investments are limited to U.S. Treasury obligations or other U.S. Government securities issued in full faith or guaranteed by agencies and instrumentalities of the U.S. Government, obligations

of foreign governments, sovereign states, supranational entities, and their instrumentalities denominated in U.S. dollars, and the State's internally-managed Short-Term Fixed Income Pool.

Intermediate-term and Broad Market Fixed Income Pool investments are limited to securities with a long-term credit rating of at least Baa3 or equivalent and securities with a short-term credit rating of at least P-1 or equivalent. Asset-backed and non-agency mortgage securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA.

High Yield Fixed Income Pool investments are limited to no more than 10 percent of the portfolio's assets in securities rated A3 or higher by any rating agency (including government instruments). Cash held in the portfolio will be included in this limitation. Treasury may not invest more than 5 percent in securities rated below B3 or equivalent at the time of investment. Additionally, Treasury may not invest more than 5 percent of the portfolio's assets in unrated securities. Unrated securities shall be assumed to be rated below B3.

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

The Commissioner has no policy regarding credit risk relating to Tax Credit Loans. The Commissioner's risk is limited by first lien priorities on tax credits supporting loans.

At June 30, 2018 the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale, in thousands):

	Short-term Fixed Income Pool	Intermediate -term Fixed Income Pool	Broad Market Fixed Income Pool	High Yield Fixed Income Pool	Tax Credit Loans
AAA	\$ 1,446,892	\$ 15,805	\$ 29,120	\$ —	\$ —
AA	111,250	38,273	62,911	—	—
A	83,426	125,803	202,265	—	—
A-1	10,416	—	—	—	—
BBB	—	33,153	198,238	39,128	—
BB	—	—	—	168,860	—
B	—	—	—	24,515	—
U.S. Government Agency	—	—	22,090	—	—
U.S. Treasury Bills, Notes, Bonds, and TIPS	1,404,520	1,224,424	632,812	—	—
Not Rated	368,266	12,016	509,258	2,850	14,920
No Credit Risk	(295,234)	1,621	(77,138)	28,257	—
	<u>\$ 3,129,536</u>	<u>\$ 1,451,095</u>	<u>\$ 1,579,556</u>	<u>\$ 263,610</u>	<u>\$ 14,920</u>

Custodial Credit Risk - Deposits

Treasury's investment policy requires the State's depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (the FDIC provides \$250 thousand of coverage). In accordance with Treasury policy, they are required to retain collateral equal to 100 percent of uninsured deposits.

The bond indentures governing the investment of tobacco revenue related bond proceeds do not establish a policy with regard to custodial credit risk.

At June 30, 2018 the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	<u>\$ 215</u>

Concentration of Credit Risk

Treasury’s policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool’s holdings in corporate bonds backed by any one company or affiliated group. At June 30, 2018, no pool had exposure to any one issuer greater than 5 percent of total invested assets.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 18 and invested assets included the following holdings at June 30, 2018 for the funds invested in the International Equity Pool:

	Policy	Actual
GeFONSI II	4% - 4%/+5%	4.70%
Constitutional Budget Reserve Fund	1% - 1% /+ 5%	1.20%
Higher Education Fund	24% ± 5%	23.10%
Illinois Creek Mine Reclamation Fund	24% ± 5%	23.00%
AIA Revenue Fund	1% - 1%/ + 5%	1.00%
Power Cost Equalization Endowment Fund	24% ± 5%	23.20%
Public School Trust Fund, Principal	19% ± 5%	18.40%
Retiree Health Insurance Fund, Long Term Care	14% ± 5%	13.40%

At June 30, 2018, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows (in thousands):

Currency	Deposits	Equity
Canadian Dollar	\$ 4	\$ 4,169
Danish Krone	—	1,449
Euro Currency	—	21,181
Japanese Yen	83	15,147
New Israeli Sheqel	—	30
Norwegian Krone	—	2,449
Pound Sterling	106	22,325
Singapore Dollar	—	1,838
Swedish Krona	40	3,175
Swiss Franc	—	3,864
Subtotal	233	75,627
Other Fiduciary Responsibility	(18)	(5,784)
Total Commissioner Responsibility	\$ 215	\$ 69,843

Fair Value Measurements

Various inputs are used in valuing the investments held by the Commissioner. Generally Accepted Accounting Principles establishes a hierarchy of inputs used to value investment emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 - Quoted prices for identical assets in an active market

Level 2 - Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

Level 3 - Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

The Commissioner categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Commissioner has the following recurring fair value measurements as of June 30, 2018 (in thousands):

Investment by Fair Value Level	Total	Level 1	Level 2	Level 3
Cash Equivalents				
Certificates of Deposits	\$ 46,037	\$ —	\$ 46,037	\$ —
Commercial Paper	10,517	—	10,517	—
Deposits	37,830	37,830	—	—
Money Market	7,930	—	7,930	—
Repurchase Agreement	359,900	—	359,900	—
Short-term Investment Fund	3,120	—	3,120	—
Total Cash Equivalents	465,334	37,830	427,504	—
Debt Securities				
Corporate Bonds	890,166	—	890,166	—
Mortgage Backed	534,387	—	534,387	—
Municipal Bonds	15,407	—	15,407	—
Other Asset Backed	1,297,752	—	1,297,752	—
Tax Credit Loans	14,920	—	—	14,920
U.S. Government Agency	22,090	—	22,090	—
U.S. Treasury Bills, Notes, Bonds and TIPS	3,261,756	—	3,261,756	—
Yankee Corporate	305,598	—	305,598	—
Yankee Government	35,282	—	35,282	—
Total Debt Securities	6,377,358	—	6,362,438	14,920
Equity Securities				
Commingled Equity Funds	1,723,315	1,723,315	—	—
Common and Preferred Stock	78,838	78,838	—	—
Depository Receipts	1,891	1,891	—	—
Real Estate Inv Trust	167,977	167,977	—	—
Total Equities Securities	1,972,021	1,972,021	—	—
Total Investments by Fair Value Level		\$ 2,009,851	\$ 6,789,942	\$ 14,920
Total Investments Measured at Fair Value	\$ 8,814,713			
Other Fiduciary Responsibility	(499,019)			
Net Receivables/(Payables) from Investment Activity	(21,416)			
Total Commissioner Invested Assets	\$ 8,294,278			

Debt and equity securities classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is obtained from various sources. Debt securities classified as level 3 are valued by the Treasury's valuation committee using an income approach.

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

The Commissioner is exposed to credit risk on investment derivative instruments that are in asset positions. The Commissioner has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Commissioner has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Commissioner have a policy or contingencies. The International Equity Pool's investments include the following income from derivative investments at June 30, 2018 (in thousands):

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Income	\$ 2,587	Long-term Instruments	\$ —	\$ —

The International Equity Pools includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2018, the International Equity Pools had no outstanding contracts.

Tax Credit Loans and Related Parties

In 2015, the Commissioner of Revenue contemplated creating a Tax Credit Loan Program (program). In lieu of the program, a line of credit was extended to an entity majority owned by the Alaska Industrial Development and Export Authority (AIDEA), a major component unit of the State of Alaska. The tax credits issued to the company were used as collateral for the loan. The Commissioner of Revenue (or his designee) serves on the AIDEA board, as appointed by the Governor of Alaska.

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

The Alaska Retirement Management Board (ARMB) is the investment oversight authority for the State of Alaska's Retirement and Benefits Plans (Plans). These Plans are made up of six systems: the Public Employees' Retirement System (PERS), Teachers Retirement System (TRS), Judicial Retirement System (JRS), National Guard and Naval Militia Retirement Systems (NGNMRS), Supplemental Benefits System (SBS), and Deferred Compensation Plan (DCP). The systems comprise a mix of individual Defined Benefit and Defined Contribution Retirement Plans. Fiduciary responsibility for the ARMB's invested assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

Additional information related to the various pools and investments is disclosed in the financial schedules issued by the ARMB. These schedules of invested assets and of investment income and changes in invested assets are those of the six systems' invested assets and not the systems as a whole and are available through the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, AK 99811-0405 or at <http://treasury.dor.alaska.gov/armb/>.

Investments and Related Policies

Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Fair values of investments that have no readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Pooled participant directed accounts and the collective investment funds, held in trust, are valued based on a unit value determined by the Trustees multiplied by the total units held by the Plan. The unit value is determined by the Trustees based on the fair value of the underlying assets.

Fair Value Measurements

Various inputs are used in valuing the investments held by the ARMB. U.S. generally accepted accounting principles (GAAP) establishes a hierarchy of inputs used to value investment emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 - Quoted prices for identical assets in an active market

Level 2 - Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

Level 3 - Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

The ARMB categorizes fair value measurements with the fair value hierarchy established by GAAP. The ARMB has the following fair value measurements at June 30, 2018 (in thousands):

	Totals	Level 1	Level 2	Level 3
Investment by Fair Value Level				
Cash Equivalents				
Certificates of Deposit	\$ 3,470	\$ —	\$ 3,470	\$ —
Commercial Paper	580	—	580	—
Deposits	178,466	178,466	—	—
Money Market	175,482	—	175,482	—
Repurchase Agreement	27,129	—	27,129	—
Short-term Investment Fund	5,646	—	5,646	—
Total Cash Equivalents	390,773	178,466	212,307	—
Debt Securities				
Bank Loans	1,611	—	1,611	—
Commingled Debt Funds	1,207,752	705,342	502,410	—
Convertible Bonds	1,797	—	1,797	—
Corporate Bonds	368,691	—	368,691	—
Foreign Government Bonds	96,294	—	96,294	—
Mortgage Backed	10,608	—	10,608	—
Municipal Bonds	104,494	—	104,494	—
Other Asset Backed	105,343	—	105,343	—
U.S. Government Agency	3,882	—	3,882	—
U.S. Treasury Bills, Notes, Bonds, and TIPS	2,207,901	—	2,207,901	—
Yankee Corporate	84,826	—	84,826	—
Yankee Government	3,282	—	3,282	—
Total Debt Securities	4,196,481	705,342	3,491,139	—
Equity				
Commingled Equity Funds	3,567,530	3,567,530	—	—
Common and Preferred Stock	10,758,200	10,757,766	13	421
Depository Receipts	219,832	219,832	—	—
Futures	1,026	1,026	—	—
Master Limited Partnership	905,372	905,372	—	—
Options	(3,416)	(2,794)	(622)	—
Real Estate Investment Trust	525,457	525,457	—	—
Rights	868	868	—	—
Warrants	7,981	7,981	—	—
Total Equities	15,982,850	15,983,038	(609)	421
Other				
Balanced Funds	2,020,611	—	2,020,611	—
Target Date Funds	1,554,111	—	1,554,111	—
Securities Lending Collateral Invested	94,072	—	94,072	—
Total Other	3,668,794	—	3,668,794	—
Total Investments by Fair Value Level	\$ 24,238,898	\$ 16,866,846	\$ 7,371,631	\$ 421
Investments Measured at the NAV				
Absolute Return	\$ 1,937,579			
Energy	99,448			
Farmland	837,580			
Infrastructure	508,843			
Private Equity	2,404,684			
Real Estate	1,649,790			
Timber	370,002			
Total Investments Measured at NAV	7,807,926			
Total Investments Measured at Fair Value	\$ 32,046,824			
Synthetic Investment Contract at Cost	\$ 531,271			
Net Payable	(86,923)			
Total Invested Assets	\$ 32,491,172			

Equity securities classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Each balanced and target date options classified as level 2 are priced daily by the investment managers based on the prevailing market values of the underlying security portfolios. Pricing is sourced from various sources. Equity securities classified as level 3 are valued using the last traded price or a price determined by the investment manager's valuation committee.

Investments in absolute return, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) with additional information listed in the following table (in thousands):

	Fair Value	Redemption Frequency (if currently available)	Redemption Notice Period
Absolute Return	\$ 1,937,579	Quarterly	2-90 days
Energy	99,448	No redemptions	No redemptions
Farmland	837,580	N/A	N/A
Infrastructure	508,843	Quarterly	30-90 days
Private Equity	2,404,684	No redemptions	No redemptions
Real Estate	1,649,790	Varied	Varied
Timber	370,002	N/A	N/A
Total Investments Measured at NAV	<u>\$ 7,807,926</u>		

Absolute Return: This type includes investments in ten fund of funds. Investment strategies include pooled investment vehicles and securities in a variety of markets including structured notes and swaps. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Absolute return investments undergo annual independent financial statement audits.

Energy: This type includes investments in four energy funds which invest in the debt and equity of energy related companies. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Energy fund investments undergo annual independent financial statement audits. These investments can never be redeemed with the funds. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2022.

Farmland: This type includes investments in two wholly owned agriculture funds. These two funds are for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops and vegetable crops. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments are funds of one, therefore they can be liquidated at any time. Farmland investments undergo annual independent financial statement audits.

Infrastructure (Private): This type includes investments in two open-ended infrastructure funds. Investments include electricity generation, transmission, toll roads, pipelines, bridges, and other infrastructure-related assets. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Funds can be redeemed on a quarterly basis with proper notice.

Private Equity: This type includes investments in 21 private equity funds including two gatekeeper managers who invest on behalf of the ARMB. These funds are diversified in various sectors including but not limited to venture capital, acquisitions, debt, and special situations. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity funds undergo annual independent financial statement audits. These investments can never be redeemed with the funds. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2026.

Real Estate: This type includes investments in 19 real estate funds that invest primarily in U.S. commercial real estate including value-added, opportunistic and core investments. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Real estate investments undergo annual independent financial statement audits. Three of these funds are funds of one, therefore can be liquidated at any time. For the remaining 16 funds, distributions from each fund will be received as the underlying investments of the funds are liquidated. These investments are expected to be funded through fiscal year 2031.

Timber: This type includes investments in two wholly owned timber funds that invest, acquire, manage, and dispose of timberland property and associated timber. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments are fund of one, therefore they can be liquidated at any time. Timber investments undergo annual independent financial statement audits.

Synthetic Investment Contracts (SICs): The ARMB's investment manager entered into investment contracts, on behalf of the ARMB, with four financial institutions, these institutions provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. The contracts are included in the ARMB's statements at contract value. They are fully benefit responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio's average duration. Accounts and terms of SICs in effect at June 30, 2018 are as follows (in thousands):

	Contract Provider	Supplemental Benefits System	Deferred Compensation Plan
Contract Value of Investment Contract	Prudential Insurance Company of America	\$ 96,760	\$ 46,692
Market Value of Portfolio	Prudential Insurance Company of America	94,928	46,072
Average Crediting Rate	Prudential Insurance Company of America	2.46%	2.60%
Contract Value of Investment Contract	Royal Bank of Canada	66,303	37,681
Market Value of Portfolio	Royal Bank of Canada	64,949	37,015
Average Crediting Rate	Royal Bank of Canada	2.50%	2.58%
Contract Value of Investment Contract	Pacific Life Insurance Co.	66,819	37,981
Market Value of Portfolio	Pacific Life Insurance Co.	65,769	37,477
Average Crediting Rate	Pacific Life Insurance Co.	2.55%	2.60%
Contract Value of Investment Contract	State Street Bank & Trust Co.	97,575	46,389
Market Value of Portfolio	State Street Bank & Trust Co.	96,041	45,774
Average Crediting Rate	State Street Bank & Trust Co.	2.55%	2.60%

Interest Rate Risk

The ARMB invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2018, the expected average life of individual fixed rate securities ranged from 2 days to 4.03 years and the expected average life of floating rate securities ranged from 12 days to 21.6 years.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration is the average fair value weighted duration of each security taking into account all related cash flows. At June 30, 2018, the effective duration of the ARMB's fixed income by investment type, was as follows:

	Effective Duration (in years)
Corporate Bonds	3.40
Foreign Government Bonds	7.21
Mortgage-backed	2.00
Municipal Bonds	9.78
Other Asset Backed	0.05
U.S. Government Agency	6.53
U.S. Treasury Bills, Notes, Bonds, and TIPS	3.90
Yankee Corporate	3.13
Yankee Government	3.80
Total Portfolio	4.06

Synthetic Investment Contracts

The ARMB contracts with an external investment manager who is given the authority to invest funds in SICs and a reserve. This external manager also manages the securities underlying the SICs. In the case of the ARMB's constant duration SICs, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout SICs is the weighted average maturity of the contract payments. Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on SICs as follows:

For constant duration SICs, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration SICs was 4.04 years for the Deferred Compensation Plan and 4.06 years for the Supplemental Annuity Plan at June 30, 2018. The duration of the Barclays Capital Intermediate Aggregate Index was 4.28 years at June 30, 2018. The ARMB does not have a policy to limit interest rate risk for the reserve. The balance of the reserve is invested in the custodian's Institutional Treasury Money Market Fund.

Credit Risk

At June 30, 2018, ARMB's invested assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (in thousands, using Standard & Poor's Corporation rating scale); securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated:

Rating	U.S. Dollar	Foreign
AAA	\$ 133,121	\$ 2,823
AA	131,771	1,347
A	198,718	11,950
A-1	785	—
BBB	73,969	3,101
BB	71,974	5,288
B	47,446	—
CCC	7,355	—
CC	73	—
U.S. Government Agency	3,882	—
U.S. Treasury Bills, Notes, Bonds, and TIPS	2,207,901	—
Not Rated	52,265	71,785
	\$ 2,929,260	\$ 96,294

Synthetic Investment Contracts

The ARMB's investment policy has the following credit risk limitations for SICs, investments underlying the synthetic investment contracts and the reserve:

Synthetic investment contract issuers must have an investment grade rating,
Supranational Agency and Foreign Government entity investments must have a minimum rate of A- or equivalent,
Corporate debt securities must have a minimum rating of BBB- or equivalent,
Asset-backed securities must have a minimum rating of AAA or equivalent,
The rating assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

Custodial Credit Risk - Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2018, the ARMB's invested assets had the following uncollateralized and uninsured foreign currency deposits of \$14,926 thousand.

Foreign Currency Risk

The ARMB's Stable Value Fund policy requires that all investments underlying a synthetic investment contract be denominated in U.S. dollars. For all other funds, through its asset allocation, the ARMB limits total investments in foreign currencies to the following:

Pension System	Opportunistic	Global Equity Ex- U.S.	Private Equity Pool	Real Assets Pool
Public Employees' Retirement System	15%	26%	14%	25%
Teachers' Retirement System	15	26	14	25
Judicial Retirement System	15	26	14	25
Alaska National Guard and Naval Militia Retirement System	15	21	—	—

At June 30, 2018, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

Currency	Deposits	Equity	Foreign Government Bonds	Rights & Warrants	Private Equity
Australian Dollar	\$ 347	\$ 146,276	\$ —	\$ —	\$ 1,252
Brazilian Real	67	29,635	3,474	—	—
Canadian Dollar	447	139,855	2,823	—	—
Chilean Peso	—	—	1,139	—	—
Columbian Peso	—	—	1,411	—	—
Czech Koruna	—	—	578	—	—
Danish Krone	643	64,758	—	—	—
Euro Currency	4,507	1,119,413	29,314	848	142,646
Hong Kong Dollar	855	133,402	—	—	—
Hungarian Forint	—	2,083	532	—	—
Indian Rupee	102	14,870	—	—	—
Indonesian Rupiah	135	521	2,785	6	—
Japanese Yen	4,332	739,149	19,153	—	—
Malaysian Ringgit	7	5,059	2,743	—	—
Mexican Peso	—	20,087	8,100	—	—
New Israeli Sheqel	10	9,198	—	—	—
New Taiwan Dollar	476	34,808	—	—	—
New Zealand Dollar	80	14,028	1,347	—	—
Norwegian Krone	133	26,935	—	—	—
Peruvian Sol	—	—	1,181	—	—
Philippine Peso	1	2,895	891	—	—
Polish Zloty	1	704	2,273	—	—
Pound Sterling	1,811	739,244	8,762	20	33,593
Russian Ruble	—	—	2,266	—	—
Singapore Dollar	179	40,971	—	—	—
South African Rand	1	22,415	1,814	—	—
South Korean Won	66	48,992	—	—	—
Swedish Krona	229	92,311	2,012	—	—
Swiss Franc	422	214,904	—	—	—
Thailand Baht	1	4,594	1,398	—	—
Turkish Lira	7	3,674	2,299	—	—
UAE Dirham	3	—	—	—	—
Yuan Renminbi	64	18,198	—	—	—
	<u>\$ 14,926</u>	<u>\$ 3,688,979</u>	<u>\$ 96,295</u>	<u>\$ 874</u>	<u>\$ 177,491</u>

Concentration of Credit Risk

At June 30, 2018, the ARMB's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

Stable Value Investments

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

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

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts. The maximum exposure to securities rated BBB is limited to twenty percent of the total value underlying synthetic investment contracts.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agency Securities	100	100
Agency Mortgage-Backed Securities	50	50
Non-Agency Mortgage-Backed Securities	5	50
Asset-Backed Securities	5	50
Domestic and Foreign Corporate Debt Securities	5	50
Supranational Agency and Foreign Government Entity Securities	5	50
Money Market Instruments - Nongovernmental/Agency	5	100
Custodian Short-term Investment Fund	100	100

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

Derivatives, Foreign Exchange, and Counterparty Credit Risk

The ARMB is exposed to credit risk on investment derivative instruments that are in asset positions. The ARMB has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the ARMB has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the ARMB have a policy for contingencies. On June 30, 2018, the ARMB had the following derivative instruments outstanding (in thousands):

	Change in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
FX Forwards	Investment Income	\$ 644	Long Term	\$ 348	\$ 8,192
Index Futures Long	Investment Income	54,773	Futures	—	177
Index Futures Short	Investment Income	(47,921)	Futures	—	(224)
Index Options Bought	Investment Income	(3,199)	Options	34,899	49
Index Options Written	Investment Income	(133)	Options	(38,315)	(278)
Rights	Investment Income	(70)	Common Stock	868	7,308
Warrants	Investment Income	1,115	Common Stock	7,981	370

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2018, the ARMB had the following foreign currency risk related to forward contracts (in thousands):

Currency Name	Right & Warrant Options	Net Receivable	Net Payables	Total Exposure
Euro Currency	\$ 848	\$ —	\$ —	\$ 848
Pound Sterling	20	—	—	20
Indonesian Rupiah	6	—	—	6
New Zealand Dollar	—	—	348	348
	<u>\$ 874</u>	<u>\$ —</u>	<u>\$ 348</u>	<u>\$ 1,222</u>

At June 30, 2018 the ARMB had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

Securities Lending

Alaska Statute 37.10.071 authorizes the ARMB to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The ARMB lends marketable debt and equity securities through a contract with State Street Bank and Trust (the Bank). International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day, as necessary, to maintain collateral levels. The ARMB cannot pledge or sell collateral received until and unless a borrower defaults. At June 30, 2018, the ARMB has no credit risk exposure to the borrowers because the amounts the ARMB owes to the borrowers exceeded the amounts the borrowers owe the ARMB.

The fair value of securities on loan at June 30, 2018, was approximately \$91 million. At June 30, 2018, cash collateral received totaling \$94 million is reported as a securities lending payable and the fair value of the re-invested cash collateral totaling \$94 million is reported as security lending collateral invested in the Schedule of Invested Assets.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Securities under loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank and the ARMB received a fee from earnings on invested collateral. The Bank and the ARMB shared the fee paid by the borrower.

There was limited credit risk associated with the lending transactions since the ARMB was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the ARMB against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to a force majeure event as outlined in the contract.

For the year ended June 30, 2018 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

DEFERRED COMPENSATION PLAN

The State's Internal Revenue Code Section 457 Deferred Compensation Plan (DCP) holds investments in several collective investment funds, an Interest Income Fund and wholly-owned Pooled Investment Funds. At June 30, 2018, Deferred Compensation Plan investments totaled \$941.3 million.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The market values of participant-directed investments at June 30, 2018 are as follows (in thousands):

	FY 2018
S&P 500 Stock Index Fund	\$ 212,541
Interest Income Fund	176,326
U.S. Small Cap Trust	112,136
Alaska Long-Term Balanced Trust	90,335
Russell 3000 Index Fund	42,686
International Equity Fund	38,407
Alaska Balanced Trust	29,731
Government/Credit Bond Index Fund	27,250
Alaska Target Date Retirement 2020 Trust	25,855
Allianz/RCM Socially Responsible Investment Fund	22,746
Intermediate Bond Fund	22,522
World Equity Ex-U.S. Index Fund	18,121
Alaska Target Date Retirement 2025 Trust	17,508
State Street Institutional Treasury Money Market Fund	13,838
U.S. TIPS Index Fund	13,045
U.S. Real Estate Investment Trust Index Fund	12,529
Alaska Target Date Retirement 2030 Trust	11,502
Alaska Target Date Retirement 2015 Trust	9,479
Alaska Target Date Retirement 2040 Trust	7,721
Alaska Target Date Retirement 2035 Trust	6,551
Alaska Target Date Retirement 2045 Trust	5,476
Long U.S. Treasury Bond Index Fund	5,352
World Government Bond EX-U.S. Index Fund	4,760
Alaska Target Date Retirement 2055 Trust	4,054
Alaska Target Date Retirement 2010 Trust	4,037
Alaska Target Date Retirement 2050 Trust	3,854
Mass Mutual Equity Fund	2,409
Alaska Target Date Retirement 2060 Trust	444
Mass Mutual Bond Fund	62
	<u>\$ 941,277</u>

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

Risk and Uncertainty

DCP invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of fiduciary net assets.

DCP may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

SUPPLEMENTAL BENEFITS SYSTEM

The State's Supplemental Benefits System (SBS) holds investments in several collective investment funds, a Stable Value Fund and wholly-owned Pooled Investment Funds. At June 30, 2018, SBS investments totaled \$3.905 billion.

Each participant designates how their contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions, adjusted for the appreciation or depreciation in unit value for the investment funds, and reduced for administrative fees.

The market values of participant-directed investments at June 30, 2018 are as follows (in thousands):

	<u>FY 2018</u>
Alaska Balanced Trust	\$ 1,144,403
Alaska Long-term Balanced Trust	683,417
S&P 500 Stock Index Fund	454,989
Stable Value Fund	354,899
U.S. Small Capt Trust	175,996
Alaska Target Date Retirement 2020 Trust	94,958
Alaska Target Date Retirement 2015 Trust	85,904
Alaska Target Date Retirement 2025 Trust	76,798
Russell 3000 Index Fund	72,624
International Equity Fund	69,084
Alaska Target Date Retirement 2050 Trust	68,944
Alaska Target Date Retirement 2045 Trust	60,065
Alaska Target Date Retirement 2030 Trust	56,387
Alaska Target Date Retirement 2055 Trust	56,097
World Equity Ex-U.S. Index Fund	54,818
Allianz/RCM Socially Responsible Investment Fund	53,141
Alaska Target Date Retirement 2040 Trust	53,116
Alaska Target Date Retirement 2035 Trust	52,457
Government/Credit Bond Index Fund	50,435
State Street Institutional Treasury Money Market Fund	41,482
Intermediate Bond Fund	40,059
U.S. Real Estate Investment Trust Index Fund	34,012
U.S. Treasury Inflation Protected Security Index Fund	31,695
Long U.S. Treasury Bond Index Fund	13,397
World Government Bond Ex-U.S. Index Fund	12,584
Alaska Target Date Retirement 2010 Trust	10,130
Alaska Target Date Retirement 2060 Trust	3,263
	<u>\$ 3,905,154</u>

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

Risk and Uncertainty

SBS invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes would materially affect participant's account balances and the amounts reported in the statement of fiduciary net assets. SBS may invest in pooled separate accounts that include securities with contractual cash flows, which may include asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

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

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

ALASKA PERMANENT FUND CORPORATION

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

Investments and Related Policies**Carrying value of investments**

The Fund considers all of its ownership interests in securities and other assets to be investments because they are held for the purpose of income or profit and have a present service capacity based solely on their ability to generate cash or be sold to generate cash. Investments are reported at fair value in the financial statements. Investments without a readily determinable fair value are generally reported by using the NAV per share (or its equivalent) of the investment. Securities transactions are recorded on the trade date that securities are purchased or sold. Unrealized gains and losses are reported as components of net change in fund balance.

State investment regulations

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

Investment policy - Asset allocation

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

At June 30, 2018, the APFC's strategic asset allocation targets were as follows:

Asset Class	Asset Class Target
Public Equities	39%
Fixed Income Plus	22
Private Equity/Growth Opportunities	11
Real Estate	11
Private Credit/Infrastructure/Income Opportunities	6
Absolute Return	5
Asset Allocation	6

To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the public equities class is 39 percent, with the green zone range set at 35 to 45 percent, the yellow zone range set at 30 to 35 percent and 45 to 55 percent, and red zone ranges set at allocations of less than 30 percent or greater than 55 percent. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

Interest Rate Risk

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

At June 30, 2018, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$995,628 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to 38 percent.

Credit Risk

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Forward Exchange Contracts

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

A portion of forward exchange contracts is intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control the effect of fluctuations in foreign exchange rates within their overall portfolio strategy rather than on a security by security basis. They attempt to optimize their foreign currency exposure in a market rather than accept the natural geographical exposure to the market's currency.

Futures

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

Cash and Temporary Investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes 1.9 percent to cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2018 (in thousands):

Cash	\$	323,264
Pooled Funds		3,963,473
U.S. Treasury Bills		619,317
Total Cash and Temporary Investments	\$	<u>4,906,054</u>

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

Marketable Debt Securities

Marketable debt securities at June 30, 2018, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

	Cost	Fair Value	Unrealized Gains/(Losses)
Treasury and Government Notes/Bonds	\$ 1,689,759	\$ 1,669,265	\$ (20,494)
Mortgage-backed Securities	1,002,636	986,045	(16,591)
Corporate Bonds	5,196,562	5,004,894	(191,668)
Commercial Mortgage/Asset-backed Securities	251,070	244,405	(6,665)
Non-U.S. Treasury and Government Bonds	2,060,999	1,973,013	(87,986)
Non-U.S. Corporate Bonds	996,029	982,828	(13,201)
Bond-backed Exchange Traded Funds	714,402	686,170	(28,232)
Total Marketable Debt Securities	<u>\$ 11,911,457</u>	<u>\$ 11,546,620</u>	<u>\$ (364,837)</u>

Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 80 percent of bond mandates at June 30, 2018), issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Minimum standards are a Standard & Poor's Corporation rating BBB or better, or Moody's Investors Service, Inc. rating of Baa or better, or a comparable rating by another Nationally Recognized Statistical Rating Organizations (NRSRO) or by a recognized rating service in the jurisdiction of the issuer. Managers with high yield mandates (approximately 20 percent of bond mandates at June 30, 2018) are allowed to hold positions in assets with below investment grade ratings (high yield bonds) based on the terms of their contracts. For purposes of this note, if credit ratings differ among the NRSROs used, the rating with the highest degree of risk (the lowest rating) is reported.

At June 30, 2018, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

NRSRO Quality Rating	Domestic	Non-Domestic	Total Fair Value	Percent of Holdings
AAA	\$ 351,659	\$ 308,071	\$ 659,730	5.71%
AA	404,527	430,644	835,171	7.23
A	1,260,457	847,545	2,108,002	18.26
BBB	2,100,356	764,994	2,865,350	24.82
BB	544,882	240,119	785,001	6.80
B	449,737	149,386	599,123	5.19
CCC	103,826	60,330	164,156	1.42
CC	10,034	—	10,034	0.09
C	1,109	—	1,109	0.01
D	—	15,394	15,394	0.13
Total Fair Value of Rated Debt Securities	5,226,587	2,816,483	8,043,070	69.66
Commingled Bond Funds	503,153	245,571	748,724	6.48
Not Rated	(21,688)	139,358	117,670	1.03
U.S. Government Explicitly Backed by the U.S. Government (AA)	1,948,424	—	1,948,424	16.87
U.S. Government Implicitly Backed by the U.S. Government (AA)	688,732	—	688,732	5.96
Total Fair Value Debt Securities	\$ 8,345,208	\$ 3,201,412	\$ 11,546,620	100.00%

Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2018, the effective duration by investment type, based on fair value, is as follows:

	Percent of bond holdings	Duration
Domestic Bonds		
Treasury and Government Notes/Bonds	20.00%	5.41
Mortgage-backed Securities	11.82	6.23
Corporate Bonds	59.97	7.30
Commercial Mortgage and Asset-backed Securities	2.93	3.61
Bond-Backed Exchange Traded Funds	5.28	—
Total Domestic Bonds	100.00%	6.30
Non-domestic Bonds		
Non-U.S. Treasury and Government Bonds	61.63%	7.05
Non-U.S. Corporate Bonds	30.70	5.84
Bond-Backed Exchange Traded Funds	7.67	—
Total Non-domestic Bonds	100.00%	6.13

Preferred and Common Stock

Direct investments in preferred and common stock are held by the APFC's custodian bank on behalf of the Fund. The Fund also invests in commingled stock funds, which are held by the custodian bank of the fund manager on behalf of fund investors, and equity index futures, which are held at the prime broker.

Preferred and common stocks and commingled stock funds at June 30, 2018 are summarized as follows (in thousands) which include the net fair value of equity index futures of \$(7.9 million):

	Cost	Fair Value	Unrealized Holding Gains/(Losses)
Direct Investments			
Domestic Stock	\$ 11,351,254	\$ 13,773,474	\$ 2,422,220
Non-domestic Stock	10,744,402	12,081,136	1,336,734
Commingled Funds	355,180	394,120	38,940
Total Preferred and Common Stock	<u>\$ 22,450,836</u>	<u>\$ 26,248,730</u>	<u>\$ 3,797,894</u>

Foreign Currency Exposure

Foreign currency risk is managed by the international investment managers in part through their decisions to enter into foreign currency forward contracts. Foreign currency risk is also managed through the diversification of assets into various countries and currencies.

At June 30, 2018, the Fund's cash holdings, foreign currency forward contracts, non-domestic public and private equity, and debt securities had exposure to foreign currency risk as follows (shown in U.S. dollar equivalent at fair value and based on the currency in which the securities are held and traded) (in thousands):

Foreign Currency	Cash and Equivalents	Foreign Exchange Forward Contracts	Public/Private Equity, Real Estate, Infrastructure	Debt	Total Foreign Currency Exposure
Argentina Peso	\$ 204	\$ —	\$ —	\$ 6,086	\$ 6,290
Australian Dollar	10,185	82,888	448,165	24,067	565,305
Brazil Real	2,137	(14,186)	157,092	36,305	181,348
Canadian Dollar	2,648	327,221	604,430	27,838	962,137
Chilean Peso	493	(20,536)	9,992	21,657	11,606
Chinese Yuan Renminbi	1,274	(33)	123,492	—	124,733
Columbian Peso	576	—	3,580	15,642	19,798
Czech Koruna	398	(24,353)	1,934	23,659	1,638
Danish Krone	1,549	(5,941)	133,524	2,149	131,281
Dominican Republic Peso	—	—	—	1,118	1,118
Egyptian Pound	8,286	—	143	3,485	11,914
Euro Currency	1,367	(854,445)	3,014,689	481,372	2,642,983
Ghanaian Cedi	415	—	—	6,395	6,810
Hong Kong Dollar	727	2,467	1,167,526	—	1,170,720
Hungarian Forint	15	—	10,258	—	10,273
Indian Rupee	(1,000)	(33,800)	289,722	42,099	297,021
Indonesian Rupiah	899	(4,151)	70,134	25,156	92,038
Israeli Shekel	236	(23,121)	50,668	—	27,783
Japanese Yen	4,931	(381,526)	1,780,959	430,880	1,835,244
Kenyan Shilling	66	—	—	2,796	2,862
Malaysian Ringgit	1,394	(3,732)	67,359	22,771	87,792
Mexican Peso	672	(16,016)	63,608	56,113	104,377
New Taiwan Dollar	3,126	(21)	227,787	—	230,892
New Zealand Dollar	2,039	97,276	28,412	5,249	132,976
Nigerian Naira	5,640	—	—	8,728	14,368
Norwegian Krone	885	9,476	72,088	5,697	88,146
Pakistan Rupee	—	—	101	—	101
Peruvian Sol	117	—	—	10,423	10,540
Phillipines Peso	51	—	7,799	—	7,850
Polish Zloty	998	(22,287)	17,522	38,290	34,523
Pound Sterling	13,241	(134,104)	1,979,773	117,856	1,976,766
Qatari Riyal	7	—	23,581	—	23,588
Romanian Leu	66	—	—	7,140	7,206
Russian Ruble	664	—	60	29,190	29,914
Singapore Dollar	1,329	(65,570)	108,401	18,290	62,450
South African Rand	1,405	(12,639)	153,592	34,460	176,818
South Korean Won	3,797	(61,044)	304,473	60,039	307,265
Swedish Krona	(404)	(206,362)	179,276	5,560	(21,930)
Swiss Franc	4,507	(389,175)	340,309	—	(44,359)
Thailand Baht	2,957	1,256	129,132	20,007	153,352
Turkish Lira	1,072	(5,645)	45,174	17,035	57,636
UAE Dirham	84	—	18,470	—	18,554
Uruguayan Peso	—	—	—	9,216	9,216
Zambia Kwacha	128	—	—	3,016	3,144
Total foreign currency exposure	\$ 79,181	\$ (1,758,103)	\$ 11,633,225	\$ 1,619,784	\$ 11,574,087

Cash amounts in the schedule presented on the prior page include receivables, payables, certificates of deposit, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real estate properties, absolute return and similar funds, and infrastructure, all of which are denominated in U.S. dollars, and are not included in the schedule presented on the prior page.

Real Estate

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

The APFC periodically reviews real estate investments for other than temporary impairment. There was no impairment recognized in FY 18.

Real estate investments at June 30, 2018 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains (Losses)
Real Estate Investment Trusts	\$ 1,228,746	\$ 1,354,127	\$ 125,381
American Homes 4 Rent II	135,208	161,608	26,400
Directly Owned Real Estate			
Retail	883,168	1,892,975	1,009,807
Office	1,114,183	1,383,865	269,682
Hotel	59,413	67,980	8,567
Industrial	177,156	281,137	103,981
Multifamily	220,278	319,247	98,969
Total Real Estate	<u>\$ 3,818,152</u>	<u>\$ 5,460,939</u>	<u>\$ 1,642,787</u>

Alternative Investments

Alternative investments include the Fund's investments in or through real return mandates, absolute return strategies, private equity, infrastructure, and private credit. The APFC periodically reviews alternative investments for other than temporary impairment.

Absolute return strategies are investments in specialized funds that seek to deliver returns that are largely uncorrelated with traditional market driven asset classes. The Fund is invested in three existing limited partnerships, in which the Fund is the only limited partner ("fund-of-one"). The Fund also holds direct hedge fund investments, in which the Fund is one of many limited partners. External investment management services are provided by institutional investment managers who have acknowledged their status as fiduciaries to the Fund. In FY 17, it was decided to redeem the fund-of-one accounts and move toward more direct hedge fund investments. The liquidation of these accounts is expected to take time, given the illiquid nature of some of the underlying funds. Because of the off-exchange and private nature of many absolute return strategies, investments may have no readily determinable fair value, and the estimated fair values could differ significantly from values that would be obtained in a market transaction for the assets. Each manager provides the Fund with fair value estimates of partnership interests and undergoes an annual independent audit.

The Fund holds private equity through investments in limited liability companies and limited partnerships that typically invest in unlisted, illiquid common and preferred stock and, to a lesser degree, subordinated and senior debt of companies that are in most instances privately held. The APFC has hired external advisors to select private equity holdings diversified by geography and strategy. Private equity is funded slowly over time as opportunities are identified by the external advisors and the underlying fund managers. The underlying private equity funds provide the Fund with fair value estimates of the investments

utilizing the most current information available. In addition, the external advisors review the fair value estimates, and the underlying private equity funds undergo annual independent audits. Private equity investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 18 it was determined that eight private equity funds were impaired and would not recover their carrying cost over the remaining estimated holding period of the assets. In order to reflect the impairment in statutory net income and fund balance classifications, \$25.7 million of unrealized losses were realized through a write-down of cost to fair value. These impairments have no impact on the carrying value of investments or on the net increase (decrease) in the fair value of private equity investments.

Infrastructure investments involve ownership or operating agreements in essential long-term service assets with high barriers to entry. Examples of infrastructure assets include: toll roads; airports; deep water ports; communication towers; and energy generation, storage and transmission facilities. Investments in this asset class are expected to have inflation protection attributes and exhibit low correlations with other major asset classes in the Fund's investment strategy. The Fund holds infrastructure investments through commingled funds organized as limited partnerships whose investment managers provide periodic fair value estimates, as well as through securities listed on public exchanges. The limited partnerships undergo annual independent audits. Infrastructure investments by their nature generally have no readily determinable fair value, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 18 it was determined that no infrastructure funds were impaired.

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

Alternative investments at June 30, 2018 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Holding Gains
Absolute Return	\$ 4,543,075	\$ 5,288,072	\$ 744,997
Private Equity	5,423,697	7,198,347	1,774,650
Infrastructure	2,453,999	3,035,277	581,278
Private Credit	1,251,673	1,311,423	59,750
Total Alternative Investments	<u>\$ 13,672,444</u>	<u>\$ 16,833,119</u>	<u>\$ 3,160,675</u>

As of June 30, 2018, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$4.1 billion for private equity; \$1.5 billion for infrastructure; and \$1.7 billion for private credit investments. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

Securities Lending

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

Cash collateral received for loaned securities is reported on the Fund's balance sheets and invested by the Bank on behalf of the Fund. As of June 30, 2018, such investments were in overnight repurchase agreements that had a weighted-average-maturity of

one day. The average term of the loans was also one day. At June 30, 2018 the value of securities on loan is as follows (in thousands):

Fair Value of Securities on Loan, Secured by Cash Collateral	\$	1,962,327
Cash Collateral		2,011,760
Fair Value of Securities on Loan, Secured by Non-cash Collateral		4,032,717
Non-cash Collateral		4,452,279

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2018, the Fund incurred no losses from securities lending transactions. The Fund received income of \$26,285 thousand from securities lending for the year ended June 30, 2018, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

Fair Value Measurement

Various inputs are used in valuing the investments held by the Fund. GAAP establishes a hierarchy of inputs used to value investments emphasizing observable inputs and minimizing unobservable inputs. These input levels are summarized as follows:

Level 1 - Quoted prices for identical assets in an active market

Level 2 - Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly

Level 3 - Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

Investments measured using NAV per share as a practical expedient to fair value are not categorized into input levels. The input levels used to measure Fund's investments and derivative instruments at June 30, 2018 are summarized as follows (in thousands):

	Measured Using Input Levels			Measured Using	
	Level 1	Level 2	Level 3	NAV	Total
Marketable Debt Securities	\$ 2,316,765	\$ 9,229,855	\$ —	\$ —	\$ 11,546,620
Preferred and Common Stock	26,248,730	—	—	—	26,248,730
Real Estate	1,354,428	—	—	4,106,511	5,460,939
Absolute Return	765,039	1,677,382	43,971	2,801,680	5,288,072
Private Equity	—	—	—	7,198,347	7,198,347
Infrastructure	640,754	—	—	2,394,523	3,035,277
Private Credit	—	—	—	1,311,423	1,311,423
Total Investments	<u>\$ 31,325,716</u>	<u>\$ 10,907,237</u>	<u>\$ 43,971</u>	<u>\$ 17,812,484</u>	<u>\$ 60,089,408</u>

Marketable debt securities and preferred and common stock classified as level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as level 2 are valued using matrix pricing. Pricing is sourced from various sources.

Publicly traded real estate investment trusts are valued using prices quoted in active markets and are reported as level 1. Directly owned real estate through ownership of interests in corporations, limited liability companies and partnerships that hold title to real estate are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Directly owned real estate investments are subject to annual appraisals and audits. American Homes 4 Rent II is reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions, and does not allow redemptions until the company is wound-up and dissolved.

Absolute return investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Former External Chief Investment Officer (ECIO) investments are now grouped with Absolute return investments. These investments have readily determinable fair values and are therefore reported by level. Level 2 valuations are a result of liquidity terms as well as the pricing transparency of the investments held. Level 3 valuations are provided by managers and audited by third party auditing firms. Absolute return investments undergo annual independent financial statement audits. The redemption notice period is from 1-91 days and the frequency of redemption is daily to quarterly.

Private equity investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 10-12 years.

Publicly traded infrastructure investments are classified as level 1 and are valued using prices quoted in active markets for those securities. The majority of infrastructure investments are reported at the NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments is 5-7 years.

Private credit investments are reported at NAV of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private credit investments undergo annual independent financial statement audits. Redemptions are not allowed and the usual life of these investments in 5-7 years.

Investment Income by Source

Investment income during the year ended June 30, 2018, is summarized as follows (in thousands):

Interest	
Marketable Debt Securities	\$ 377,001
Short-term Domestic and Other	82,392
Total Interest	<u>\$ 459,393</u>
Dividends	<u>\$ 640,620</u>
Real Estate and Other Income	
Directly Owned Real Estate Net Rental Income	\$ 225,651
Real Estate Investment Trust Dividends	61,753
Absolute Return Management Expenses, Net of Dividend and Interest Income	22,150
Private Credit Interest Income, Net of Fees	22,622
Infrastructure Interest and Dividend Income, Net of Fees	80,929
Private Equity Dividend Income, Net of Management Expenses	39,344
Class Action Litigation Income	1,361
Loaned Securities, Commission Recapture, and Other Income	26,685
Total Real Estate and Other Income	<u>\$ 480,495</u>

Foreign Exchange Contracts, Futures and Off-Balance Sheet Risk

Certain APFC external investment managers enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell specified amounts of foreign currencies for the Fund at specified rates and future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2018 ranged between one and 121 days.

The counterparties to the FX forward contracts consisted of a diversified group of financial institutions. The Fund is exposed to credit risk to the extent of non-performance by these counterparties. The Fund's market risk as of June 30, 2018 is limited to the difference between contractual rates and forward market rates determined at the end of the fiscal year.

Activity and balances related to FX forward contracts for FY 18 are summarized as follows (in thousands):

Balances at June 30, 2018:

Face Value of FX Forward Contracts	\$ 4,723,992
Net Unrealized Holding Gains (losses) on FX Forward Contracts	21,230
Fair Value of FX Forward Contracts	<u>\$ 4,745,222</u>
Activity for Fiscal Year Ending June 30, 2018	
Change in Unrealized Holding Losses	\$ (34,893)
Realized Gains	22,027
Net Increase (decrease) in Fair Value of FX Forward Contracts	<u>\$ (12,866)</u>

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

Activity and balances related to futures in equity accounts for FY 18 are summarized as follows (in thousands):

Balances at June 30, 2018:

Face Value of Equity Index Futures	\$ 80,090
Net Unrealized Holding Losses on Futures	(7,895)
Fair Value of Equity Index Futures	<u>\$ 72,195</u>
Activity for Fiscal Year Ending June 30, 2018	
Change in Unrealized Holding Losses	\$ (4,996)
Realized Gains	58,998
Net Increase in Fair Value of Equity Index Futures	<u>\$ 54,002</u>

Activity and balances related to futures in fixed income accounts for FY 18 is summarized as follows (in thousands):

Balances at June 30, 2018:

Face Value of U.S. Treasury Index Futures	\$ 2,177,855
Net Unrealized Holding Losses on Futures	(42,512)
Fair Value of U.S. Treasury Index Futures	<u>\$ 2,135,343</u>
Activity for Fiscal Year Ending June 30, 2018	
Change in Unrealized Holding Gains	\$ 40,796
Realized Gains	16,961
Net Increase in Fair Value of U.S. Treasury Index Futures	<u>\$ 57,757</u>

The face value of FX forward contracts and futures shown in these schedules is not required to be included in the Fund's balance sheets. All other balance and activity amounts shown above are included in the Fund's financial statements within the net increase in fair value of investments on the Statement of Revenues, Expenditures and Changes in Fund Balances.

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

Capital assets, which include property, plant, equipment, and infrastructure items (highways, bridges, and similar items) are reported in the applicable governmental and business-type activity columns of the government-wide financial statements. Intangibles are reported separately in the notes to the financial statements; however, on the face of the financial statements, intangibles are grouped with the asset class they most resemble. Easements and right of way are grouped with land, and software is grouped with equipment.

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

Capital Asset	Governmental Activities		Business-type Activities	
	Capitalize at Value	Useful Life	Capitalize At Value	Useful Life
Land	All	Indefinite	All	Indefinite
Infrastructure	\$ 1,000,000	15-75	\$ 100,000	5-40
Buildings	1,000,000	50	100,000	10-40
Intangible Assets and Computer Software	500,000	3-7		
Building Improvements	100,000	15	All	5-40
Machinery/Equipment	100,000	3-60	5,000	5-10
Construction in Progress				

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

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

Capital asset activities for the fiscal year ended June 30, 2018, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Intangible - Easements and Right-of-Way	\$ 649	\$ 15	\$ —	\$ 664
Land	366	16	(3)	379
Construction in progress	1,638	344	(589)	1,393
Total capital assets not being depreciated	<u>2,653</u>	<u>375</u>	<u>(592)</u>	<u>2,436</u>
Capital assets being depreciated:				
Buildings	2,356	172	(47)	2,481
Intangible - Software	205	68	(1)	272
Equipment	992	43	(36)	999
Infrastructure	8,657	486	(25)	9,118
Total capital assets being depreciated	<u>12,210</u>	<u>769</u>	<u>(109)</u>	<u>12,870</u>
Less accumulated depreciation for:				
Buildings	(796)	(75)	46	(825)
Intangible - Software	(111)	(28)	6	(133)
Equipment	(571)	(45)	31	(585)
Infrastructure	(5,719)	(352)	135	(5,936)
Total accumulated depreciation	<u>(7,197)</u>	<u>(500)</u>	<u>218</u>	<u>(7,479)</u>
Total capital assets being depreciated, net	<u>5,013</u>	<u>269</u>	<u>109</u>	<u>5,391</u>
Capital assets, net	<u>\$ 7,666</u>	<u>\$ 644</u>	<u>\$ (483)</u>	<u>\$ 7,827</u>

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

During FY18, the State of Alaska implemented the capital asset module of the ERP system, IRIS, which calculates depreciation differently than it had historically been estimated. Historically, a full year of depreciation was calculated for an asset that was placed into service at any given point in time during the fiscal year. In IRIS, depreciation is calculated based on the number of days the asset was in service during the fiscal year.

Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 31	\$ —	\$ —	\$ 31
Construction in Progress	22	53	(57)	18
Total capital assets not being depreciated	53	53	(57)	49
Capital assets being depreciated:				
Buildings	1,129	7	—	1,136
Equipment	117	12	(2)	127
Infrastructure	954	37	—	991
Total capital assets being depreciated	2,200	56	(2)	2,254
Less accumulated depreciation for:				
Buildings	(444)	(32)	—	(476)
Equipment	(85)	(8)	2	(91)
Infrastructure	(498)	(33)	—	(531)
Total accumulated depreciation	(1,027)	(73)	2	(1,098)
Total capital assets being depreciated, net	1,173	(17)	—	1,156
Capital assets, net	\$ 1,226	\$ 36	\$ (57)	\$ 1,205

The following relates to the land owned by the State:

The total state entitlement amounts to approximately 105.7 million acres, 102.5 million of which was received through the Statehood Act. In accordance with the Alaska Statehood Act section 6(g), Alaska Native Claims Settlement Act, and the Alaska National Interest Lands Conservation Act, section 906(c), 100.5 million acres have been patented or “tentatively approved.”

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

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

Governmental Activities:	<u>Amount</u>
General Government	\$ 24
Education	21
Health and Human Services	21
Law and Justice	4
Natural Resources	4
Development	1
Public Protection	17
Transportation	374
Intergovernmental Revenue Sharing	4
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.	30
Total Depreciation Expense - Governmental Activities	<u>\$ 500</u>
Business-type Activities:	
Enterprise	\$ 73

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. Intangibles, except for easements and right-of-way, are reported separately in the notes to the financial statements; however, on the face of the financial statements, all intangibles are grouped with the asset class they most resemble. Software and Right of Use are grouped with equipment. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2018 (in millions):

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 114	\$ 2	\$ (2)	\$ 114
Museum collections	7	—	—	7
Construction in Progress	633	214	(265)	582
Total capital assets not being depreciated	754	216	(267)	703
Capital assets being depreciated/depleted:				
Intangible - Software	2	—	—	2
Intangible - Right of Use	21	—	—	21
Land	4	—	—	4
Library Books	56	—	—	56
Buildings	2,272	180	(8)	2,444
Equipment	877	22	(22)	877
Infrastructure	1,824	35	(52)	1,807
Total capital assets being depreciated/depleted	5,056	237	(82)	5,211
Less accumulated depreciation/depletion for:				
Intangible - Software	(2)	—	—	(2)
Intangible - Right of Use	(8)	(1)	—	(9)
Land	(1)	—	—	(1)
Library Books	(47)	(1)	—	(48)
Buildings	(1,112)	(71)	4	(1,179)
Equipment	(490)	(45)	12	(523)
Infrastructure	(813)	(67)	19	(861)
Total accumulated depreciation/depletion	(2,473)	(185)	35	(2,623)
Total capital assets being depreciated/depleted, net	2,583	52	(47)	2,588
Capital assets, net	\$ 3,337	\$ 268	\$ (314)	\$ 3,291

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

Beginning balances are being restated to reflect the sale of the Alaska Industrial Development and Export Authority's (AIDEA) interest in Pentex Alaska Natural Gas Company, LLC, which AIDEA was the sole member in.

NOTE 6 – SHORT-TERM DEBT, BONDS PAYABLE AND OTHER LONG-TERM OBLIGATIONS**A. SUMMARY OF CHANGES**Short-Term Debt

Two enterprise funds, the Alaska Clean Water Fund and the Alaska Drinking Water Fund issued bond anticipation notes during FY 18 totaling \$1,583 thousand and \$1,648 thousand respectively. The proceeds were used to fund the State share of loan distributions and administration costs. In accordance with the Environmental Protection Agency regulations, interest and investment earnings were used to retire the bond anticipation notes. No balance was outstanding at year end.

Long-Term liabilities

The following table summarizes changes in long-term liabilities for Governmental Activities for the fiscal year ended June 30, 2018 (in thousands):

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 356,442	\$ 1,479	\$ 28,617	\$ 329,304	\$ 3,105
General obligation debt	859,532	—	65,835	793,697	54,499
Notes payable	14,244	68	2,556	11,756	2,546
Capital leases payable	268,938	12,093	26,706	254,325	21,479
Unearned revenue	53,324	254,965	262,986	45,303	25,442
Certificates of participation	30,149	—	1,935	28,214	1,830
Compensated absences	167,579	155,704	157,106	166,177	165,644
Claims and judgments	144,990	46,511	27,996	163,505	38,048
Pollution remediation	119,776	15,744	9,925	125,595	12,560
Other noncurrent liabilities	2,785	15,352	15,342	2,795	—
Net pension liability	4,431,885	839,911	673,584	4,598,212	—
Net OPEB liability	812,012	103,468	263,683	651,796	—
Total	\$ 7,261,656	\$ 1,445,294	\$ 1,536,271	\$ 7,170,679	\$ 325,153

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

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

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

Beginning balances for Governmental Activities are being restated due to the implementation of the Governmental Accounting Standards Board's Pronouncement 75 (GASB 75) as it relates to the reporting of other postemployment benefit (OPEB) liabilities. Section C of this note has additional information regarding OPEB liabilities and Note 14 has additional information regarding the restatement of beginning net position.

The following table summarizes changes in long-term liabilities for Business-type Activities for the fiscal year ended June 30, 2018 (in thousands):

Business-type Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	\$ 439,837	\$ —	\$ 37,789	\$ 402,048	\$ 12,455
Unearned revenue	23,621	437	—	24,058	24,058
Compensated absences	4,526	454	645	4,335	4,237
Pollution remediation	3,970	1,620	220	5,370	537
Other Noncurrent Liabilities	21,071	13,136	10,535	23,672	—
Net pension liability	76,975	—	20,176	56,799	—
Net OPEB liability	15,912	—	6,551	9,361	—
Total	\$ 585,912	\$ 15,647	\$ 75,916	\$ 525,643	\$ 41,287

Beginning balances for Business-type Activities are being restated due to the implementation of GASB 75 as it relates to the reporting of OPEB liabilities. Section C of this note has additional information regarding OPEB liabilities and Note 14 has additional information regarding the restatement of beginning net position.

B. NET PENSION LIABILITY

Net Pension Liability is recorded in the schedule of long-term liabilities above. The total pension liability for the June 30, 2017 measurement date for all plans was determined by actuarial valuations as of June 30, 2016, which were rolled forward to June 30, 2017. The actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

System	Investment Rate of Return	Inflation Rate	Salary Scale Increases
PERS	8%, net of pension plan investment expenses. This is based on an average inflation of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 9.66% to 4.92% for Peace Officer/Firefighter Graded by age and service from 8.55% to 4.34% for all others
TRS	8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 8.11% to 3.87%
JRS	8%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return 4.88%	3.12%	3.62% per year, compounded annually
NGNMRS	7%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 3.88%	3.12%	None

PERS post-termination mortality rates were based on 96 percent of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60 percent of male and 65 percent of female post-termination rates. Deaths are assumed to be occupational 70 percent of the time for Peace Officer/Firefighters, 50 percent of the time for others. The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in

changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

TRS post-termination mortality rates were based on 94 percent of the male rates and 97 percent of the female rates of the RP-2000 Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. The rates for pre-termination mortality were based upon the 2010-2013 actual mortality experience, 68 percent of the male and 60 percent of female post-termination rates. Deaths are assumed to be non-occupational causes 85 percent of the time. The actuarial assumption used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

JRS post-termination mortality rates were based on 94 percent of the male rates and 97 percent of the female rates of the RP-2000 Combined Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. The rates for pre-termination mortality were 68 percent of the male rates and 60 percent of the female rates of the post-termination mortality rates. The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

NGNMRS post-termination mortality rates were based on 96 percent of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB. Pre-termination mortality is based on 60 percent of the male and 65 percent of female rates of the post-termination healthy mortality rates. The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect future experience.

For PERS and TRS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System pension plan's target asset allocation as of June 30, 2014 are summarized in the next table (note that the rates shown exclude the inflation component):

For JRS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System pension plan's target asset allocation as of June 30, 2017 are summarized in the next table (note that the rates shown exclude the inflation component):

For NGNMRS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System pension plan's target asset allocation as of June 30, 2016 are summarized in the following table (note that the rates shown exclude the inflation component):

System	Asset Class	Long-term Expected Real Rate of Return
PERS/TRS/JRS	Domestic Equity	8.83%
	Global ex-U.S. equity	7.79
	Intermediate Treasuries	1.29
	Opportunistic	4.76
	Real assets	4.94
	Absolute return	4.76
	Private equity	12.02
	Cash Equivalents	0.63
NGNMRS	Domestic Equity	8.33
	Global Equity (non-U.S.)	7.79
	Fixed Income Composite	1.36
	Cash Equivalents	0.63

The discount rate used to measure the total pension liability was 8 percent for PERS, TRS and JRS. The discount rate used to measure the total pension liability was 7 percent for NGNMRS. The projection of cash flows used to determine the discount rate assumed that the employer and the nonemployer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the System Pension Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability/(asset) for each plan as of June 30, 2017, calculated using the discount rate, as well as what the respective plans' net pension liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
Primary Government's proportionate share of the PERS net pension (asset) liability	\$ 3,437,210	\$ 2,616,648	\$ 1,923,717
Discrete Component Units' proportionate share of the PERS net pension (asset) liability	321,735	244,871	180,067
Primary Government's proportionate share of the TRS net pension (asset) liability	19,172	13,601	8,920
Discrete Component Units' proportionate share of the TRS net pension (asset) liability	46,039	32,661	21,421
Primary Government's JRS net pension (asset) liability	76,371	52,602	32,471
	1% Decrease 6%	Discount Rate 7%	1% Increase 8%
Primary Government's NGNMRS net pension (asset) liability	\$ (3,989)	\$ (5,652)	\$ (7,156)

The State's proportion of the net pension liability for the defined benefits multiple employer plans were based on projections of the present value of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers from July 1, 2018 to a projected fully funded year of 2039. At June 30, 2017 the proportionate share of the net pension liability attributed to the State was 55.35 percent (50.62 percent for the primary government and 4.74 percent for the discrete component units) for the Public Employee's Retirement System (PERS) and 2.28 percent (0.67 for the primary government and 1.61 for the discrete component units) for the Teacher's Retirement System (TRS). This was a decrease of 2.30 percent (1.25 percent decrease for the primary government and 1.04 percent decrease for the discrete component units) for PERS and a decrease of 0.61 percent (0.08 percent decrease for the primary government and 0.53 percent decrease for the discrete component units) for TRS from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the State recognized pension expense of \$195,641 thousand (\$195,243 thousand for the primary government and \$398 thousand for the discrete component units) broken out by plan as follows (in thousands):

<u>Systems</u>	<u>Pension Expense</u>
Public Employees' Retirement System - Primary Government	\$ 189,777
Public Employees' Retirement System - Discrete Component Units	2,649
Teachers' Retirement System - Primary Government	(14)
Teachers' Retirement System - Discrete Component Units	(2,251)
Judicial Retirement System - Primary Government	6,162
Alaska National Guard and Alaska Naval Militia Retirement System - Primary Government	(682)

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans from the following sources by plan (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS			
Primary Government	Difference Between Expected and Actual Experience	\$ —	\$ 47,045
	Difference Between Projected and Actual Investment Earnings	70,187	—
	Changes in Proportions and Difference Between Employer Contributions and Proportionate Share of Contributions	2,310	31,915
	Contributions Subsequent to the Measurement Date	183,334	—
Discrete Component Units	Difference Between Expected and Actual Experience	—	4,398
	Difference Between Projected and Actual Investment Earnings	6,666	—
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	639	21,228
	Contributions Subsequent to the Measurement Date	20,590	—
TRS			
Primary Government	Difference Between Expected and Actual Experience	—	227
	Difference Between Projected and Actual Investment Earnings	622	—
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	731
	Contributions Subsequent to the Measurement Date	1,004	—
Discrete Component Units	Difference Between Expected and Actual Experience	—	545
	Difference Between Projected and Actual Investment Earnings	1,493	—
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	66	5,111
	Contributions Subsequent to the Measurement Date	1,859	—
JRS			
Primary Government	Difference Between Projected and Actual Investment Earnings	1,732	—
	Difference Between Expected and Actual Experience	—	2,798
	Contributions Subsequent to the Measurement Date	10,286	—
NGNMRS			
Primary Government	Difference Between Projected and Actual Investment Earnings	1,231	—
	Difference Between Expected and Actual Experiences	313	5,051
	Changes in Assumptions	36	—
	Contributions Subsequent to the Measurement Date	907	—

\$217,980 thousand reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2019 (\$195,531 thousand for the primary government and \$22,449 thousand for discrete component units).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for each plan as follows (in thousands):

Year Ending June 30	PERS - Primary Government	PERS - Discrete Component Units	TRS - Primary Government	TRS - Discrete Component Units	JRS - Primary Government	NGNMRS - Primary Government
2019	\$ (73,722)	\$ (24,534)	\$ (846)	\$ (5,321)	\$ (2,906)	\$ (1,234)
2020	73,087	6,841	561	1,347	2,334	(989)
2021	32,810	3,071	270	649	968	(1,109)
2022	(40,605)	(3,801)	(321)	(772)	(1,462)	(139)

SPECIAL FUNDING SITUATION

Under Governmental Accounting Standards Board Statement No. 68, a special funding situation exists when a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to a pension plan.

In an opinion dated August 3, 2015, the Department of Law advised that AS 39.35.280 and AS 14.25.085 did not create “legal responsibility” in the State to make contributions for non-State PERS and TRS participating employers, and that a “special funding situation” did not exist for purposes of GASB 68. The Department of Law further advised that the State should only report on its balance sheet those net pension liabilities attributable to the State as a participating employer. That opinion is incorporated by reference to this note.

On November 25, 2015, however, GASB staff advised the Department of Administration and the Department of Law that the term “legally responsible” for purposes of GASB 68 should not be construed in a legally enforceable sense, and that the reporting of net pension liability attributable to special funding situations on the State’s balance sheet does not mean that the State is legally obligated for such underlying net pension liabilities. Rather, the reporting of such amounts merely reflects an “economic reality” that the State is making state assistance payments on behalf of participating employers pursuant to AS 39.35.280 and AS 14.25.085. Nevertheless, GASB staff advised that the existence of such statutes, irrespective of their constitutional validity, required the State to report these amounts as liabilities on its balance sheet. Moreover, in a memo dated December 16, 2015, the Division of Legislative Audit stated that the constitutional prohibition against dedicated revenue and limitations on one legislature binding the appropriation power of a subsequent legislature are not permissible exceptions to this accounting rule.

Accordingly, the State is reporting such amounts on its balance sheet, but the State affirmatively disclaims any and all legal responsibility or obligation, in a legally enforceable sense, for the non-State employer GASB 68 net pension liabilities reported as liabilities on the basic financial statements herein. The State acknowledges that municipalities and school districts have taken the position that they are not claiming responsibility for liabilities beyond the obligations they report in their financial statements.

The assumptions for the portion of the net pension liability attributed to the special funding situation for both the PERS and TRS plans are the same as those previously listed. The proportionate share of the net pension liability attributed to the special funding situation was based on a projection of the present value of the State’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers from July 1, 2018 to a projected fully funded year of 2039.

The following presents the State’s proportionate share of the net pension liability calculated using the discount rate, as well as what the State’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for the special funding situation portion (in thousands):

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
PERS net pension liability	\$ 909,632	\$ 692,476	\$ 509,097
TRS net pension liability	1,803,869	1,279,682	839,308

At June 30, 2017 the proportionate share of the net pension liability attributed to the State for the special funding situation was 13.40 percent for the Public Employee’s Retirement System (PERS) and 63.14 percent for the Teacher’s Retirement System (TRS), which was an increase of 8.02 percent and 9.24 percent from its proportion measured as of June 30, 2016 for PERS and TRS respectively.

For the year ended June 30, 2018, the State recognized expenses of \$312,236 thousand in relation to the special funding situation broken out by plan as follows (in thousands):

<u>Systems</u>	<u>Pension Expense</u>
Public Employees’ Retirement System	\$ 160,105
Teachers’ Retirement System	152,131

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans for the special funding situation amounts from the following sources by plan (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS	Difference Between Expected and Actual Experience	\$ —	\$ 12,450
	Difference Between Projected and Actual Investment Earnings	18,574	—
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	191,522	9,831
	Contributions Subsequent to the Measurement Date	36,399	—
TRS	Difference Between Expected and Actual Experience	—	21,343
	Difference Between Projected and Actual Investment Earnings	58,507	—
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	94,719	5,043
	Contributions Subsequent to the Measurement Date	111,042	—

\$147,441 thousand reported as deferred outflows of resources related to the special funding situation resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in fiscal year 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the special funding situation will be recognized as expenses for each plan as follows (in thousands):

<u>Year Ending June 30</u>	<u>PERS</u>	<u>TRS</u>
2019	\$ 172,504	\$ 78,871
2020	19,342	52,803
2021	8,683	25,419
2022	(10,746)	(30,253)

STATE ADMINISTERED SINGLE EMPLOYER PLANS

The schedules of changes in plan net pension liability/(asset) for the JRS and NGNMRS defined benefit pension plan as of the measurement date, June 30, 2017 are below (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
JRS			
Balances at June 30, 2017	\$ 205,548	\$ 144,819	\$ 60,729
Changes for the year:			
Service Cost	6,227	—	6,227
Interest	16,449	—	16,449
Contributions - employer	—	11,086	(11,086)
Contributions - employee	—	886	(886)
Net investment income	—	18,910	(18,910)
Benefit payments, including refunds of employee contributions	(11,589)	(11,589)	—
Administrative expense	—	(79)	79
Net Changes	<u>11,087</u>	<u>19,214</u>	<u>(8,127)</u>
Balances at June 30, 2018	<u>\$ 216,635</u>	<u>\$ 164,033</u>	<u>\$ 52,602</u>
NGNMRS			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balances at June 30, 2017	\$ 31,184	\$ 35,826	\$ (4,642)
Changes for the year:			
Service Cost	611	—	611
Interest	2,170	—	2,170
Contributions - employer	—	866	(866)
Net investment income	—	3,182	(3,182)
Benefit payments, including refunds of employee contributions	(1,485)	(1,485)	—
Administrative expense	—	(257)	257
Net Changes	<u>1,296</u>	<u>2,306</u>	<u>(1,010)</u>
Balances at June 30, 2018	<u>\$ 32,480</u>	<u>\$ 38,132</u>	<u>\$ (5,652)</u>

NON-STATE ADMINISTERED SINGLE EMPLOYER PLANS

The Alaska Railroad Corporation (ARRC) is a component unit of the State of Alaska. The ARRC has a single-employer defined benefit pension plan administered by the Tax Deferred Savings and Pension Committee covering all regular represented and nonrepresented employees who are not covered by the Civil Service Retirement System. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The actuarial valuation used the following actuarial assumptions:

Actuarial Assumption	December 31, 2017
Inflation	2.8%
Salary increases	3.0% CPI plus merit based rates
Cost of living allowance	1.4%
Retirement, disablement, and termination	Based on 2010-2014 experience study
Administrative expenses	0.86% of payroll, based on current year Actuarially Determined Contribution

Mortality rates were based on the Society of Actuaries RP-2000 combined mortality table (65%/35% blended blue/white collar) and the Scale AA generational mortality improvement in longevity that management expects to occur in the future.

The long-term expected rate of return on pension plan investments of 7.5 percent was determined using a building-block method which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Cash	—%	0.50%
U.S. Treasury Inflation-Protected Securities (TIPS)	5.00	2.00
Total Return Bond	13.00	2.50
Global Bond	5.00	2.50
High Yield Bond	7.00	4.00
Domestic Large Cap	20.00	7.00
Domestic Mid Cap	12.00	8.00
Domestic Small Cap	8.00	9.00
International Equity	13.00	7.25
Commodities	2.00	1.50
Real Estate	15.00	4.75
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the ARRC contributions will be made based on the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate (in thousands):

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 44,208	\$ 15,385	\$ (8,293)

For the year ended December 31, 2017, the ARRC recognized pension expense of \$5,498 thousand and the following deferred outflows and deferred inflows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,826	\$ 383
Changes in assumptions	217	—
Net difference between actual and projected earnings on investments	—	4,064

Deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

	Amount
Year ending December 31,	
2018	\$ 1,281
2019	1,281
2020	(932)
2021	(2,034)

Changes in the net pension liability are as follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a)-(b)
Balances at January 1, 2017	\$ 187,054	\$ 161,588	\$ 25,466
Changes for the year:			
Service Cost	5,777	—	5,777
Interest	14,230	—	14,230
Change of benefit terms	154	—	154
Difference between expected and actual experience	(482)	—	(482)
Changes of assumptions	272	—	272
Contributions - employer	—	4,051	(4,051)
Contributions - employee	—	4,302	(4,302)
Net investment income	—	22,088	(22,088)
Benefit payments, including refunds of employee contributions	(6,197)	(6,197)	—
Administrative expense	—	(409)	409
Net Changes	13,754	23,835	(10,081)
Balances at December 31, 2017	\$ 200,808	\$ 185,423	\$ 15,385

C. NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY/ASSET

Net other post-employment benefits (OPEB) liability is recorded in the schedule of long-term liabilities above. The total OPEB liability for the June 30, 2017 measurement date for all plans was determined by actuarial valuations as of June 30, 2016, which were rolled forward to June 30, 2017. The actuarial valuations used the following actuarial assumptions, applied to all periods included in the measurement:

System	Investment Rate of Return	Inflation Rate	Salary Scale Increases	Healthcare Cost Trend Rates (ARHCT and RMP)
PERS	8%, net of postemployment healthcare plan investment expenses. This is based on an average inflation of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 9.66% to 4.92% for Peace Officer/Firefighter. Graded by service from 8.55% to 4.34% for all others	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drugs; 5.4% grading down to 4.0%
TRS	8%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	Graded by service, from 8.11% to 3.87%	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drugs; 5.4% grading down to 4.0%
JRS	8%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%	3.12%	3.62% per year, compounded annually	Pre-65 Medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drugs; 5.4% grading down to 4.0%

PERS and TRS Post-termination mortality rates for each plan were based on 96 percent of all rates of the RP-2000 Combined Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB. Pre-termination mortality rates for each plan were based upon the 2010-2013 actual mortality experience, 60 percent of male and 65 percent of female post-termination rates. Deaths are assumed to be occupational 70 percent of the time for peace officer/firefighters, 50 percent of the time for all others. The actuarial assumption used in the June 30, 2016 actuarial valuations were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013.

JRS post-termination mortality rates were based on 94 percent of the male rates and 97 percent of the female rates of the RP-2000 Combined Mortality Table, 2000 base Year projected to 2018 with Projection Scale BB, with a three-year setback for males and four-year setback for females. The rates for pre-termination mortality were 68 percent of the male rates and 60 percent of the female rates of the post-termination mortality rates. The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions effective for the June 30, 2014 actuarial valuation adopted by the Alaska Retirement Management Board to better reflect expected future experience. The assumptions used in the June 30, 2016 actuarial valuation are the same as those used in the June 30, 2014 valuation.

The long-term expected rate of return on plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plans' target asset allocation as of June 30, 2017 are summarized in the following table (note that the rates shown below exclude the inflation component):

System	Asset Class	Long-term Expected Real Rate of Return
PERS/TRS/JRS	Domestic Equity	8.83%
	Global ex-U.S. equity	7.79%
	Intermediate Treasuries	1.29%
	Opportunistic	4.76%
	Real assets	4.94%
	Absolute return	4.76%
	Private equity	12.02%
	Cash Equivalents	0.63%

The discount rate used to measure the total OPEB liability/asset for each plan was 8%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the fiduciary net position for each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/asset.

The following presents the net OPEB liability/(asset) for each plan as of June 30, 2017, calculated using the discount rate, as well as what the respective plans' net OPEB liability/(asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate (in thousands):

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
Primary Government's proportionate share of the PERS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	\$ 915,437	\$ 427,754	\$ 17,544
Discrete Component Units' proportionate share of the PERS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	85,648	39,552	1,641
Primary Government's proportionate share of the PERS Occupational Death and Disability net OPEB liability (asset)	(6,295)	(6,972)	(7,527)
Discrete Component Units' proportionate share of the PERS Occupational Death and Disability net OPEB liability (asset)	(515)	(103)	(616)
Primary Government's proportionate share of the PERS Retiree Medical Plan net OPEB liability (asset)	12,006	2,563	(4,811)
Discrete Component Units' proportionate share of the PERS Retiree Medical Plan net OPEB liability (asset)	983	210	(394)
Primary Government's proportionate share of the TRS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	3,759	1,234	(862)
Discrete Component Units' proportionate share of the TRS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	9,004	2,955	(2,064)
Primary Government's proportionate share of the TRS Occupational Death and Disability net OPEB liability (asset)	(12)	(12)	(12)
Discrete Component Units' proportionate share of the TRS Occupational Death and Disability net OPEB liability (asset)	(75)	(75)	(75)
Primary Government's proportionate share of the TRS Retiree Medical Plan net OPEB liability (asset)	7	(17)	(35)
Discrete Component Units' proportionate share of the TRS Retiree Medical Plan net OPEB liability (asset)	47	(109)	(227)
Primary Government's JRS net OPEB (asset) liability	(10,611)	(12,515)	(14,124)

The following presents the net OPEB liability/(asset) for each applicable plan as of June 30, 2017, calculated using the healthcare cost trend rates as summarized in the 2016 actuarial valuation reports, as well as what the respective plans' net OPEB liability would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Primary Government's proportionate share of the PERS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	\$ (47,450)	\$ 427,754	\$ 999,061
Discrete Component Units' proportionate share of the PERS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	(4,439)	39,552	93,472
Primary Government's proportionate share of the PERS Retiree Medical Plan net OPEB liability (asset)	(6,344)	2,563	14,496
Discrete Component Units' proportionate share of the PERS Retiree Medical Plan net OPEB liability (asset)	(519)	210	1,187
Primary Government's proportionate share of the TRS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	(1,150)	1,234	4,132
Discrete Component Units' proportionate share of the TRS Alaska Retiree Healthcare Trust Plan net OPEB liability (asset)	(2,754)	2,955	9,898
Primary Government's proportionate share of the TRS Retiree Medical Plan net OPEB liability (asset)	(39)	(17)	14
Discrete Component Units' proportionate share of the TRS Retiree Medical Plan net OPEB liability (asset)	(251)	(109)	87
Primary Government's JRS net OPEB (asset) liability	(14,433)	(12,515)	(10,227)

The State's proportion of the net OPEB liability for the defined benefit plans were based on projections of the present value of the State's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers from July 1, 2018 to a projected fully funded year of 2039. The State's proportion of net OPEB liability/asset for the defined contribution plans were based on employer retiree medical contributions made during the year. The following represents the proportionate share of the multiple employer net OPEB liability/asset attributed to the state at June 30, 2017 and the associated change from its proportion measured as of June 30, 2016:

	2017	2018	Increase/ (Decrease)
PERS Alaska Retiree Healthcare Trust Plan	57.68%	55.38%	(2.30)%
Primary Government	51.97	50.64	(1.33)
Discrete Component Units	5.71	4.74	(0.97)
PERS Occupational Death and Disability Plan	54.68	53.16	(1.52)
Primary Government	51.37	49.14	(2.23)
Discrete Component Units	3.31	4.02	0.71
PERS Retiree Medical Plan	54.68	53.16	(1.52)
Primary Government	51.37	49.14	(2.23)
Discrete Component Units	3.31	4.02	0.71
TRS Alaska Retiree Healthcare Trust Plan	2.88	2.28	(0.60)
Primary Government	0.75	0.67	(0.08)
Discrete Component Units	2.13	1.61	(0.52)
TRS Occupational Death and Disability Plan	2.68	2.66	(0.02)
Primary Government	0.41	0.36	(0.05)
Discrete Component Units	2.27	2.30	0.03
TRS Retiree Medical Plan	2.68	2.66	(0.02)
Primary Government	0.41	0.36	(0.05)
Discrete Component Units	2.27	2.30	0.03

For the year ended June 30, 2018 the State recognized OPEB expense of \$72,110 thousand (\$67,469 thousand for the primary government and \$4,641 thousand for the discrete component units) broken out by plan as follows (in thousands):

<u>Systems</u>	<u>OPEB Expense</u>
PERS Alaska Retiree Healthcare Trust Plan - Primary Government	\$ 61,200
PERS Alaska Retiree Healthcare Trust Plan - Discrete Component Units	4,005
PERS Occupational Death and Disability Plan - Primary Government	1,169
PERS Occupational Death and Disability Plan - Discrete Component Units	81
PERS Retiree Medical Plan - Primary Government	5,311
PERS Retiree Medical Plan - Discrete Component Units	444
TRS Alaska Retiree Healthcare Trust Plan - Primary Government	57
TRS Alaska Retiree Healthcare Trust Plan - Discrete Component Units	56
TRS Retiree Medical Plan - Primary Government	9
TRS Retiree Medical Plan - Discrete Component Units	54
Judicial Retirement System - Primary Government	(277)

At June 30, 2018 the State reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources by plan (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Alaska Retiree Healthcare Trust Plan			
Primary Government	Difference Between Expected and Actual Experience	\$ —	\$ 23,066
	Difference Between Projected and Actual Investment Earnings	—	133,952
	Changes in Proportions and Difference Between Employer Contributions and Proportionate Share of Contributions	—	10,331
	Contributions Subsequent to the Measurement Date	41,929	—
Discrete Component Units	Difference Between Expected and Actual Experience	—	2,157
	Difference Between Projected and Actual Investment Earnings	—	12,532
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	4,109
	Contributions Subsequent to the Measurement Date	6,060	—
PERS Occupational Death and Disability Plan			
Primary Government	Difference Between Expected and Actual Experience	—	206
	Difference Between Projected and Actual Investment Earnings	—	436
	Changes in Proportions and Difference Between Employer Contributions and Proportionate Share of Contributions	274	—
	Contributions Subsequent to the Measurement Date	1,088	—
Discrete Component Units	Difference Between Expected and Actual Experience	—	17
	Difference Between Projected and Actual Investment Earnings	—	36
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	3	98
	Contributions Subsequent to the Measurement Date	85	—

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS Retiree Medical Plan			
Primary Government	Difference Between Expected and Actual Experience	\$ —	\$ 20
	Difference Between Projected and Actual Investment Earnings	—	1,245
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	183
	Contributions Subsequent to the Measurement Date	5,641	
Discrete Component Units	Difference Between Expected and Actual Experience	—	2
	Difference Between Projected and Actual Investment Earnings	—	102
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	60	2
	Contributions Subsequent to the Measurement Date	532	—
TRS Alaska Retiree Healthcare Trust Plan			
Primary Government	Difference Between Expected and Actual Experience	—	160
	Difference Between Projected and Actual Investment Earnings	—	663
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	122
	Contributions Subsequent to the Measurement Date	153	—
Discrete Component Units	Difference Between Expected and Actual Experience	—	383
	Difference Between Projected and Actual Investment Earnings	—	1,588
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	405
	Contributions Subsequent to the Measurement Date	921	—
TRS Occupational Death and Disability Plan			
Primary Government	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	2	—
	Difference Between Projected and Actual Investment Earnings	—	3
Discrete Component Units	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	1
TRS Retiree Medical Plan			
Primary Government	Difference Between Projected and Actual Investment Earnings	—	3
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	1	—
	Contributions Subsequent to the Measurement Date	13	—
Discrete Component Units	Difference Between Projected and Actual Investment Earnings	—	22
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	—	1
	Contributions Subsequent to the Measurement Date	75	—
JRS			
Primary Government	Difference Between Projected and Actual Investment Earnings	—	1,067
	Difference Between Expected and Actual Experience	58	—
	Contributions Subsequent to the Measurement Date	594	—

\$56,250 thousand reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in fiscal year 2019 (\$49,418 thousand for the primary government and \$6,832 thousand for discrete component units). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for each plan as follows (in thousands):

	Year Ending June 30					
	2019	2020	2021	2022	2023	Thereafter
PERS Alaska Retiree Healthcare Trust Plan - Primary Government	\$ (52,316)	\$ (48,550)	\$ (33,488)	\$ (33,488)	—	\$ —
PERS Alaska Retiree Healthcare Trust Plan - Discrete Component Units	(6,615)	(5,919)	(3,133)	(3,133)	—	—
PERS Occupational Death and Disability Plan - Primary Government	(101)	(100)	(100)	(100)	8	26
PERS Occupational Death and Disability Plan - Discrete Component Units	(23)	(23)	(23)	(23)	(14)	(43)
PERS Retiree Medical Plan - Primary Government	(336)	(336)	(336)	(336)	(25)	(78)
PERS Retiree Medical Plan - Discrete Component Units	(18)	(18)	(18)	(18)	7	22
TRS Alaska Retiree Healthcare Trust Plan - Primary Government	(367)	(246)	(166)	(166)	—	—
TRS Alaska Retiree Healthcare Trust Plan - Discrete Component Units	(960)	(622)	(397)	(397)	—	—
TRS Occupational Death and Disability Plan - Primary Government	—	—	—	—	1	1
TRS Occupational Death and Disability Plan - Discrete Component Units	(1)	(1)	(1)	(1)	—	—
TRS Retiree Medical Plan - Primary Government	(1)	(1)	(1)	(1)	1	1
TRS Retiree Medical Plan - Discrete Component Units	(6)	(6)	(6)	(5)	—	—
JRS - Primary Government	(242)	(241)	(259)	(267)	—	—

SPECIAL FUNDING SITUATION

Under Governmental Accounting Standards Board Statement No. 75, a special funding situation exists when a nonemployer entity is legally responsible for providing certain forms of financial support for OPEB of the employees of another entity. Such support is a special funding situation if either (1) the amount of contributions or benefits, as applicable, for which the nonemployer entity legally is responsible is not dependent upon one or more events unrelated to OPEB or (2) the nonemployer is the only entity with a legal obligation to make contributions directly to an OPEB plan or to make benefit payments as OPEB comes due, as applicable.

As with net pension liability, the State is reporting such amounts on its balance sheet, but the State affirmatively disclaims any and all legal responsibility or obligation, in a legally enforceable sense, for the non-State employer GASB 75 net OPEB liabilities reported as liabilities on the basic financial statements herein. The State acknowledges that municipalities and school districts have taken the position that they are not claiming responsibility for liabilities beyond the obligations they report in their financial statements.

The assumptions for the portion of the net OPEB liability attributed to the special funding situation for both the PERS and TRS plans are the same as those previously listed. The proportionate share of the net OPEB liability attributed to the special funding situation was based on a present value of the State's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers from July 1, 2018 to a projected fully funded year of 2039.

The following presents the State's proportionate share of the net OPEB liability/asset associated with the special funding situation calculated using the discount rate, as well as what the State's proportionate share of the net OPEB liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for the special funding situation portion (in thousands):

	1% Decrease 7%	Discount Rate 8%	1% Increase 9%
PERS Alaska Retiree Healthcare Trust Plan	\$ 242,378	\$ 113,255	\$ 4,645
TRS Alaska Retiree Healthcare Trust Plan	354,553	116,351	(81,289)

The following presents the net OPEB liability/asset associated with the special funding situation for each applicable plan as of June 30, 2017, calculated using the healthcare cost trend rates as summarized in the 2016 actuarial valuation reports, as well as what the respective plans' net OPEB liability/asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
PERS Alaska Retiree Healthcare Trust Plan	\$ (12,563)	\$ 113,255	\$ 264,518
TRS Alaska Retiree Healthcare Trust Plan	(108,462)	116,351	389,756

At June 30, 2017 the proportionate share of the net OPEB liability attributed to the State for the special funding situation was 13.41 percent for the Public Employee's Retirement System (PERS) and 63.26 percent for the Teacher's Retirement System (TRS), which was an increase of 8.04 percent and 9.18 percent from its proportion measured as of June 30, 2016 for PERS and TRS respectively.

For the year ended June 30, 2018, the State recognized expenses of \$63,828 thousand in relation to the special funding situation broken out by plan as follows (in thousands):

<u>Systems</u>	<u>OPEB Expense</u>
Public Employees' Retirement System	\$ 44,742
Teachers' Retirement System	19,086

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to pension plans for the special funding situation amounts from the following sources by plan (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
PERS	Difference Between Expected and Actual Experience	\$ —	\$ 6,108
	Difference Between Projected and Actual Investment Earnings	—	35,467
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	48,014	—
TRS	Difference Between Expected and Actual Experience	—	15,082
	Difference Between Projected and Actual Investment Earnings	—	62,528
	Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	7,681	—

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the special funding situation will be recognized as expenses for each plan as follows (in thousands):

Year Ending June 30	PERS	TRS
2019	\$ 14,689	\$ (20,918)
2020	9,977	(17,747)
2021	(8,867)	(15,632)
2022	(8,867)	(15,632)

STATE ADMINISTERED SINGLE EMPLOYER PLANS

The schedules of changes in plan net OPEB asset for the JRS defined benefit OPEB plan as of the measurement date, June 30, 2017 are below (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB asset (a)-(b)
Balances at June 30, 2017	\$ 16,246	\$ 26,848	\$ (10,602)
Changes for the year:			
Service Cost	734	—	734
Interest	1,318	—	1,318
Difference between expected and actual experience	83	—	83
Retiree Drug Subsidy	64	64	—
Pharmacy Rebates	62	62	—
Other	—	1	(1)
Contributions - employer	—	628	(628)
Net investment income	—	3,470	(3,470)
Benefit payments, including refunds of employee contributions	(1,031)	(1,031)	—
Administrative expense	—	(51)	51
Net Changes	<u>1,230</u>	<u>3,143</u>	<u>(1,913)</u>
Balances at June 30, 2018	<u>\$ 17,476</u>	<u>\$ 29,991</u>	<u>\$ (12,515)</u>

NON-STATE ADMINISTERED SINGLE EMPLOYER PLANS

The Alaska Railroad Corporation (ARRC) is a component unit of the State of Alaska. The ARRC has a single-employer defined benefit retiree health care plan administered by the Tax Deferred Savings, 457 and Health Care Trust Plan Committee covering nonrepresented and Alaska Railroad Workers represented employees, who became employed prior to November 4, 2014. The plan also covers regular represented employees covered under the American Train Dispatchers Association or other represented employees hired before March 4, 2016 for United Transportation Union; April 2, 2015 for Carmen's Division of Transportation Communication International Union; and April 26, 2016 for International Brotherhood of Teamsters 959, as specified in the labor agreements.

The net OPEB liability/asset was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2016. The actuarial valuation used the following actuarial assumptions:

Actuarial Assumption	December 31, 2017
Discount Rate	6.75%
Inflation	2.8%
Salary increases	3.0% CPI plus merit based rates
Retirement, disablement, and termination	Based on 2010-2014 experience study
Administrative expenses	0.22% of payroll, based on current year actuarially determined contribution
Participation Rates	Varies from 35% to 85%
Medical Trend	6.2%, grading down over five years to 4.5%

Mortality rates were based on the Society of Actuaries RP-2000 combined mortality table (65%/35% blended blue/white collar) and the Scale AA generational mortality improvement in longevity that management expects to occur in the future.

The long-term expected rate of return on pension plan investments of 6.75 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Cash	—%	0.50%
U.S. Treasury Inflation-Protected Securities (TIPS)	5.00	2.00
Intermediate Term Bond	30.00	2.50
Global Bond	5.00	2.50
High Yield Bond	10.00	4.00
Domestic Large Cap	15.00	7.00
Domestic Mid Cap	5.00	8.00
Domestic Small Cap	4.00	9.00
U.S. Healthcare (Equity)	5.00	7.50
International Equity	6.00	7.25
Real Estate	15.00	4.75
Total	100.00%	

The discount rate used to measure the total OPEB liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and contributions from employers will be made based on the actuarially determined contribution rate. Based on those assumptions, the OPEB plan's

fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected payments to determine the total OPEB liability.

The following presents the net OPEB liability/asset calculated using the discount rate of 6.75 percent, as well as what the net OPEB liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower or higher than the current rate (in thousands):

	1% Decrease 5.75%	Current discount rate 6.75%	1% Increase 7.75%
Net OPEB liability (asset)	\$ (26,769)	\$ (29,475)	\$ (31,658)

The following presents the net OPEB liability/asset calculated using the medical cost trend rate of 7.5 percent beginning in 2015 reducing over eight years to 4.5 percent, as well as what the net OPEB liability/asset would be if it were calculated using a trend rate that is 1-percentage-point lower or higher than the current rate (in thousands):

	1% Decrease 6.5%	Medical Cost Trend Rate 7.5%	1% Increase 8.5%
Net OPEB liability (asset)	\$ (32,177)	\$ (29,475)	\$ (26,022)

For the year ended December 31, 2017, the ARRC recognized net OPEB income of \$113 thousand and the following deferred outflows and deferred inflows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 1,582
Changes in assumptions	1,129	—
Net difference between actual and projected earnings on investments	281	—

Deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense or income as follows (in thousands):

	Amount
Year ending December 31,	
2018	\$ 360
2019	360
2020	(334)
2021	(344)
2022	(60)
Thereafter	(154)

Changes in the net OPEB liability are as follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB asset (a)-(b)
Balances at January 1, 2017	\$ 15,327	\$ 42,740	\$ (27,413)
Changes for the year:			
Service Cost	700	—	700
Interest	1,095	—	1,095
Change of benefit terms	526	—	526
Difference between expected and actual experience	(165)	—	(165)
Net investment income	—	4,295	(4,295)
Benefit payments, including refunds of employee contributions	(331)	(331)	—
Administrative expense	—	(77)	77
Net Changes	<u>1,825</u>	<u>3,887</u>	<u>(2,062)</u>
Balances at June 30, 2018	<u>\$ 17,152</u>	<u>\$ 46,627</u>	<u>\$ (29,475)</u>

D. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the State are pledged to secure payment of General Obligation Bonds. As of June 30, 2018, the following were the General Obligation Bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2019	\$ 54.3	\$ 34.9	\$ 89.2
2020	45.2	32.7	77.9
2021	46.5	30.5	77
2022	38.0	28.5	66.5
2023	39.7	26.6	66.3
2024-2028	205.2	103.6	308.8
2029-2033	203.7	49.5	253.2
2034-2038	91.8	7.1	98.9
Total debt service requirements	<u>724.4</u>	<u>\$ 313.4</u>	<u>\$ 1,037.8</u>
Unamortized bond premium	69.3		
Total principal outstanding	<u>\$ 793.7</u>		

The General Obligation Bond Series 2009A Bonds were issued for the purpose of paying \$165 million of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying \$164.57 million of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding \$191.41 million on the 2003A Series Bonds resulting in an economic gain of \$27.1 million and an aggregate difference in debt service of \$33.0 million. The Series 2013 A and B Bonds were issued for the purpose of paying \$162.48 million of the costs of State education projects. The

Series 2015B Bonds were issued for the purpose of refunding \$100.62 million on the 2009A Series Bonds resulting in an economic gain of \$7.5 million and an aggregate difference in debt service of \$8.8 million. The Series 2016A bonds were issued for the purpose of long-term financing, over short-term financing, of \$155.2 million of the costs of State transportation projects. The Series 2016B bonds were issued for the purpose of paying \$128.3 million of the costs of State transportation projects.

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

At June 30, 2018, the amount of General Obligation Bonds authorized was \$1,012.1 million with \$811.0 million issued. General Obligation Bonds authorized but not issued at June 30, 2018 was \$201.1 million.

REVENUE BONDS

As of June 30, 2018, the following were the revenue bonds outstanding (in millions):

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 3.1	\$ 15.4	\$ 12.4	\$ 18.1
2020	3.2	15.3	13.2	17.5
2021	3.4	15.1	13.9	16.8
2022	7.2	15	24.2	15.8
2023	9.7	14.6	17.4	14.8
2024-2028	34	67.4	91.7	61.4
2029-2033	46.4	57.7	120.3	35.9
2034-2038	59.9	44.8	82.4	6.7
2039-2043	80.7	28	—	—
2044-2048	73.6	131.4	—	—
Total debt service requirements	321.2	\$ 404.7	375.5	\$ 187.0
Unamortized bond (discounts)/premiums	(4.8)		26.5	
Plus accreted value	12.9		—	
Total principal outstanding	\$ 329.3		\$ 402.0	

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

Northern Tobacco Securitization Corporation Revenue Bonds

The Northern Tobacco Securitization Corporation (NTSC) bonds were issued to purchase the right to a share of Tobacco Settlement Revenues (TSRs) received by the State of Alaska. These revenue bonds are secured by and payable solely from the TSRs and investment earnings pledged under the respective bond indentures and amounts established and held in accordance with those bond indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2018 includes \$304.3 million in principal, \$402.1 million in interest, \$5.3 million in unamortized discount, and \$12.9 million in accreted value on the Series 2006B and Series 2006C Bonds.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing Revenue Bonds Series 2006 were issued under Article 5A of Chapter 15 of Title 37 of the Alaska Statutes. The bonds were issued to provide a portion of the funds necessary to finance the construction and renovation of fisheries rehabilitation, enhancement and development projects that benefit sport fishing. These revenue bonds are special, limited obligations of the State secured by and payable from the sport fishing facilities surcharge imposed under AS 16.05.340 and from funds received from the federal government which by their terms are not restricted in use and legally available for the

payment for debt service on Parity Bonds. The bonds are not general obligations of the State, and the State does not pledge its full faith and credit to the payment of the bonds. Sport Fishing Revenue Bond total at year end includes \$16.9 million in principal, \$2.6 million in interest, and \$0.5 million in unamortized premium.

International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund. Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports Revenue Bonds. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Position. There are \$23.2 million of bonds authorized by the Alaska Legislature that have not been issued. During FY 18 International Airports paid \$11.4 million of bonds that had matured and also paid \$24.3 million of bond principal through optional redemptions prior to scheduled maturity. At June 30, 2018 there was no bond interest arbitrage rebate liability. Federal subsidies related to the interest payments made during the year on Build American Bonds were \$430 thousand. International Airports Revenue Bond total at year end includes \$375.5 million in principal, \$187.0 million in interest and \$26.5 million in unamortized premiums/discounts and deferred gains/losses.

E. CAPITAL AND OPERATING LEASES

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

Governmental Activities Year Ending June 30	Operating Leases	Capital Leases		
		Principal	Interest	Total
2019	\$ 31.0	\$ 21.5	\$ 12.2	\$ 33.7
2020	15.1	20.8	11.1	31.9
2021	8.4	18.6	10.1	28.7
2022	6.5	18.6	9.2	27.8
2023	4.3	16.5	8.3	24.8
2024-2028	9.6	79.0	30.2	109.2
2029-2033	3.5	79.3	9.9	89.2
2034-2038	0.6	—	—	—
2039-2043	0.3	—	—	—
2044-2048	0.3	—	—	—
2049-2053	0.3	—	—	—
2054-2058	0.2	—	—	—
2059-2063	0.2	—	—	—
2064-2068	1.6	—	—	—
Total	\$ 81.9	\$ 254.3	\$ 91.0	\$ 345.3

Leases at June 30, 2018 are reported by the State of Alaska within Governmental Activities and Business-Type Activities, as applicable.

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

Buildings and equipment under capital leases as of June 30, 2018 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	\$ 466,534	\$ —
Equipment	5,816	—
Less: Accumulated Depreciation	(123,993)	—
	<u>\$ 348,357</u>	<u>\$ —</u>

F. CERTIFICATES OF PARTICIPATION

The State has lease purchase agreements funded through certificates of participation (COPs). These leases are for the purchase or construction 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, 2018 (in millions):

<u>Governmental Activities</u> Year Ending June 30	<u>Certificates of Participation</u>		
	Principal	Interest	Total
2019	\$ 1.8	\$ 1.1	\$ 2.9
2020	2.0	1.1	3.1
2021	2.3	1.0	3.3
2022	2.2	0.9	3.1
2023	2.5	0.8	3.3
2024-2028	14.2	2.5	16.7
2029-2033	3.2	0.2	3.4
Total	<u>\$ 28.2</u>	<u>\$ 7.6</u>	<u>\$ 35.8</u>

G. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2019	\$ 201.9	\$ 162.3	\$ 364.2
2020	211.8	154.0	365.8
2021	221.4	144.9	366.3
2022	227.5	135.2	362.7
2023	210.2	125.5	335.7
2024-2028	929.9	497.0	1,426.9
2029-2033	958.4	293.7	1,252.1
2034-2038	465.1	153.5	618.6
2039-2043	287.9	73.8	361.7
2044-2048	330.5	24.0	354.5
2049-2053	6.2	0.3	6.5
Total debt service requirements	4,050.8	\$ 1,764.2	\$ 5,815.0
Unamortized (discounts)/premiums	120.1		
Unamortized swap termination penalty	(6.6)		
Total principal outstanding	\$ 4,164.3		

The preceding table does not include \$941 thousand of Alaska Energy Authority arbitrage interest payable.

H. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

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

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

AHFC categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by AHFC, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. These measurements are Level 2 inputs. 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 risks, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap asset or liabilities in the marketplace if a swap were to be terminated.

AHFC's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swaps' fair value. As of June 30, 2018, AHFC has not posted any collateral and was not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC's hedging derivatives as of June 30, 2018, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating ⁷
GP01A ¹	12/1/2008	2.4530%	67% of 1M LIBOR ⁴	12/1/2030	BBB+/A3
GP01B	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	AA/Aa3
E021A1 ²	10/9/2008	2.9800%	70% of 3M LIBOR ⁵	6/1/2032	AA-/Aa2
SC02C ³	12/5/2002	4.3030%	SIFMA ⁶ +0.115%	7/1/2022	A+/Aa2
E071AB	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AA-/Aa2
E071BD	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	A+/Aa2
E091A	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	A+/Aa1
E091B	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AA-/Aa2
E091ABD	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	A+/Aa2

¹ Governmental Purpose Bonds

² Home Mortgage Revenue Bonds

³ State Capital Project Bonds

⁴ London Interbank Offered Rate ("LIBOR") 1 month

⁵ London Interbank Offered Rate 3 Month

⁶ Securities Industry and Financial Markets Municipal Swap Index

⁷ Standard & Poor's/Moody's

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2018, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2018	Fair Values June 30, 2017	Change in Fair Values
GP01A	\$ 43,505	\$ 45,082	\$ (1,577)	\$ (3,267)	\$ 1,690
GP01B	53,165	60,691	(7,526)	(10,488)	2,962
E021A1	35,940	38,379	(2,439)	(4,153)	1,714
SC02C	29,160	30,502	(1,342)	(2,545)	1,203
E071AB	139,095	165,543	(26,448)	(35,626)	9,178
E071AD	92,730	110,103	(17,373)	(23,509)	6,136
E091A	72,789	87,161	(14,372)	(19,228)	4,856
E091B	72,789	86,786	(13,997)	(18,810)	4,813
E091ABD	97,052	115,373	(18,321)	(24,748)	6,427
Total	\$ 636,225	\$ 739,620	\$ (103,395)	\$ (142,374)	\$ 38,979

As of June 30, 2018, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt Principal	Outstanding Variable-Rate Debt Interest	Swap Net Payment	Total Payment
2019	\$ 19,140	\$ 9,321	\$ 13,067	\$ 41,528
2020	23,310	9,058	12,648	45,016
2021	27,780	8,709	12,102	48,591
2022	29,230	8,293	11,494	49,017
2023	27,175	7,853	10,856	45,884
2024-2028	135,915	33,454	46,424	215,793
2029-2033	141,590	22,608	31,866	196,064
2034-2038	134,850	12,884	18,333	166,067
2039-2043	97,235	2,613	3,709	103,557
	<u>\$ 636,225</u>	<u>\$ 114,793</u>	<u>\$ 160,499</u>	<u>\$ 911,517</u>

Interest Rate Risk

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

Credit Risk

As of June 30, 2018, AHFC is not exposed to credit risk on any of the swaps because the swaps all have negative fair values. If interest rates rise and the fair value of the swaps becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreements contain varying collateral agreements with the counterparties and require full collateralization of the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. AHFC currently has swap agreements with five separate counterparties. Approximately 39 percent of the total notional amount of the swaps is held with one counterparty rated AA-/Aa2. Another 34.4 percent of the total notional amount of the swaps is held with another counterparty rated A+/Aa2. Of the remaining swaps, one counterparty is rated A+/Aa1, another counterparty is rated AA/Aa3, and the remaining counterparty is rated BBB+/A3, approximating 11.4 percent, 8.4 percent, and 6.8 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of AHFC's variable-rate bond interest payments related to interest rate swaps are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2018, SIFMA was 1.51 percent and 1 month LIBOR was 2.09 percent, resulting in a SIFMA/LIBOR ratio of 72.24 percent. The 3 month LIBOR was 2.34 percent resulting in a SIFMA/LIBOR ratio of 64.65 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

Termination Risk

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

may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

In fiscal year 2009, three swaps were terminated because of bankruptcy events with the counterparties, resulting in AHFC making termination payments totaling \$22.2 million to the counterparties. AHFC replaced the swaps with new swaps that had provisions that resulted in a lower cost overall on the underlying debt. The termination payments were deferred and are being amortized to interest expense over the life of the bonds related to those terminated swaps. An additional payment of \$150 thousand was made to a former counterparty in fiscal year 2013 as settlement of any and all claims relating to that counterparty's swap termination. This payment was expensed as insurance and financing expense in fiscal year 2013.

Rollover Risk

Rollover risk occurs when there is a mismatch in the amortization of the swap versus the amortization of the floating rate bonds. AHFC has structured the swaps to amortize at the same rate as scheduled or anticipated reductions in the associated floating rate bonds outstanding. The Home Mortgage Revenue Bonds, 2002 Series A swaps were set up in several tranches of various sizes that can be cancelled to parallel the redemption of debt from mortgage prepayments. In addition, the Governmental Purpose Bonds, 2001 Series A and B swaps cover only a portion of the total debt issuance, allowing any increase in the speed of mortgage prepayments to be directed to the un-swapped portion of the debt.

INVESTMENT DERIVATIVES

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

The significant terms and credit ratings of AHFC's investment derivatives as of June 30, 2018, are shown below:

Related Bond Issue	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating
SC02B	12/5/2002	3.77%	70% of 1M LIBOR	7/1/2024	A+/Aa2

The change in fair value of the investment derivatives as of June 30, 2018, is shown below (in thousands) and is presented on the net change of hedge termination line in the Statement of Revenues, Expenses, and Changes in Net Position.

Related Bond Issue	Notional Amounts	Present Values	Fair Values June 30, 2018	Fair Values June 30, 2017	Changes in Fair Value
SC02B	\$ 14,555	\$ 15,835	\$ (1,280)	\$ (2,040)	\$ 760

Credit Risk

As of June 30, 2018, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa2.

NOTE 7 – DEFINED BENEFIT PENSION PLANS**A. STATE ADMINISTERED PLANS****DESCRIPTION OF PLANS****The Public Employees' Retirement System - Defined Benefit (PERS-DB)**

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

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), an other agency enterprise fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, the Teacher's Retirement System - Defined Benefit (TRS-DB), and the Judicial Retirement System (JRS) Plans. Due to the establishment of the Alaska Retiree Healthcare Trust (ARHCT) effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The PERS-DB Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. PERS includes the PERS-DB and ARHCT. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The PERS component unit is comprised of the PERS-DB, PERS-DCR Plans, and the ARHCT. PERS issues a separate stand-alone financial report that includes financial statements and required supplementary information. PERS is also reported as a pension (and other employee benefit) trust fund by the State. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or from their website at <http://doa.alaska.gov/dr/b/>.

For purposes of measuring the net pension liability, net other post employment benefit liability (OPEB), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB liability, and pension and OPEB expense, information about the fiduciary net position of the PERS defined benefits plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. Contributions are due to the Plans when employee services have been performed and paid. Contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received, or payment is made. The Plans own shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Division of Treasury (Treasury). The Plans' investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Additional information about the Plans' fiduciary net position can be found in the Plans' audited financial statements.

At June 30, 2018 the number of PERS participating employers were:

State of Alaska	4
Municipalities	74
School Districts	53
Other	24
Total Employers	<u>155</u>

Members hired prior to July 1, 1986 with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. Members with 30 or more years of credited service (20 years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officers and firefighters, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the members' five highest consecutive years' salaries.

The benefit related to all years of service prior to July 1, 1986 and for years of service through a total of 10 years for general members is equal to 2 percent of the member's average monthly compensation for each year of service. The benefit for each year over 10 years of service subsequent to June 30, 1986 is equal to 2.25 percent of the member's average monthly compensation for the second 10 years and 2.5 percent for all remaining years of service. For peace officers and firefighters, the benefit for years of service through a total of 10 years is equal to 2 percent of the member's average monthly compensation and 2.5 percent for all remaining years of service.

PERS-DB has two types of postretirement pension adjustment (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the PERS-DB Plan's Administrator if the funding ratio of the PERS-DB Plan meets or exceeds 105 percent. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

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

The PERS-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year. The employer rate for the State of Alaska for the year ended June 30, 2018 was capped at 22 percent of compensation.

The state's employer contributions to PERS-DB for the fiscal years ended June 30, 2018, 2017, and 2016 were \$220.5, \$224.7, and \$231.2 million respectively for the year. For the FY 18 contributions, \$171.2 million (\$147.0 million for the primary government and \$24.2 million for the discretely presented component units) was for pensions and \$49.3 million (\$41.9 million for the primary government and \$7.4 million for the discretely presented component units) was for postemployment benefits. The contributions were equal to the required contributions in FY 18.

Alaska Statute 39.35.280 requires that additional state contributions are to be paid each July 1 or as soon after July 1 as funds become available for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the PERS-DB past service liability at the contribution rate adopted by the Alaska Retirement Management Board (ARMB) for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the Defined Contribution Retirement Pension Plan payroll. The DBUL amount is computed as the difference between:

- A. the amount calculated for the statutory employer effective contribution rate of 22 percent on eligible salary less
- B. The total of the employer contributions for:
 - a. The defined contribution employer matching amount

- b. Major Medical
- c. Occupational death and disability
- d. Health reimbursement arrangement

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds.

Chapter 1 SSSLA 2017 appropriated \$64.0 million from the General Fund and \$8.6 million from the Alaska Higher Education Investment Fund and Chapter 17 SLA 2018 appropriated \$148.0 thousand from the General Fund to the PERS-DB as an additional state contribution for FY 18. The portion of this payment attributable to State of Alaska employers is \$40.6 million (\$35.9 million for the primary government as an employer contribution and \$4.7 million for the discretely presented component units as nonemployer contributions) for pensions.

Postemployment healthcare benefits are provided to retirees and their surviving spouses without cost for all employees first hired before July 1, 1986, and employees who are disabled or age 60 or older, regardless of initial hire dates. Employees first hired on or after July 1, 1986, and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age 60, and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Members hired after June 30, 1986 but before June 30, 1996, are receiving a conditional benefit, and are age eligible, are eligible for postemployment healthcare benefits. Peace officers and their surviving spouses with 25 years of membership and all other employees and their surviving spouses with 30 years of membership service also receive benefits at no premium cost, regardless of their age or date of hire.

The components of the net pension liability/(asset) of the participating employers at June 30, 2018, were as follows (in thousands):

Total Pension Liability	\$ 14,275,702
Plan Fiduciary Net Position	<u>(9,306,675)</u>
Employers' Net Pension Liability (Asset)	<u>\$ 4,969,027</u>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	65.19%

The components of the net OPEB liability/(asset) of the participating employers at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 8,638,289
Plan Fiduciary Net Position	<u>(7,612,001)</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 1,026,288</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	88.12%

The Teachers' Retirement System - Defined Benefit (TRS-DB)

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, an other agency enterprise fund of the State, was established. The RHF is self-funded and originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, and JRS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

The TRS-DB Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. TRS includes the TRS-DB and the ARHCT Fund. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of TRS. TRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

The TRS component unit is comprised of the TRS-DB, TRS-DCR Plans, and ARHCT. TRS issues a separate stand-alone financial report that includes financial statements and required supplementary information. TRS is also reported as a pension (and other employee benefit) trust fund by the State. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or from their website at <http://doa.alaska.gov/dr/b/>.

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB liability, and pension and OPEB expense, information about the fiduciary net position of the TRS defined benefits plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. Contributions are due to the Plans when employee services have been performed and paid. Contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received, or payment is made. The Plans own shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Treasury. The Plans' investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Additional information about the Plans' fiduciary net position can be found in the Plans' audited financial statements.

At June 30, 2018 the number of participating employers were:

State of Alaska	2
School Districts	53
Other	2
Total Employers	<u><u>57</u></u>

Vested members hired prior to July 1, 1990 are entitled to pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members hired after June 30, 1990, the normal and early retirement ages are 60 and 55, respectively. Members may also retire at any age and receive a normal benefit when they accumulate the required credited service.

The normal annual pension benefit is based on years of service and average base salary. The average base salary is based upon the members' three highest contract years' salaries.

The benefit related to all years of credited service prior to July 1, 1990 and for years of service through a total of 20 years equal to 2 percent of the employee's average base salary. The benefit for each year over 20 years of service subsequent to June 30, 1990 is equal to 2.5 percent of the employee's base salary.

TRS-DB has two types of postretirement pension adjustment (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the TRS-DB Plan's Administrator if the funding ratio of the TRS-DB Plan meets or exceeds 105 percent. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

TRS-DB Plan members contribute 8.65 percent of their base salary, as required by statute. The employee contributions are deducted before federal income tax is withheld.

The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2018 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year. Additionally, there is a Defined Benefit Unfunded Liability amount levied against the Defined Contributions Retirement Pension Plan payroll.

The state's employer contributions to TRS-DB for the fiscal years ended June 30, 2018, 2017, and 2016 were \$3.4, \$3.8, and \$4.1 million respectively, equal to the required contributions for each year. For the FY 18 contributions, \$2.3 million (\$0.3 million for the primary government and \$2.0 million for the discretely presented component units) was for pensions and \$1.1 million was for postemployment benefits (\$0.1 million for the primary government and \$1.0 million for the discretely presented component units). The contributions were equal to the required contributions in FY 18.

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

Chapter 1 SSSLA 2017 appropriated \$91.3 million from the General Fund and \$20.4 million from the Alaska Higher Education Investment Fund to the TRS-DB as an additional state contribution for FY 18. The portion of this payment attributable to State of Alaska employers is \$5.2 million (\$0.7 million for the primary government as an employer contribution and \$4.5 million for the discretely presented component units as nonemployer contributions) for pensions.

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

The components of the net pension liability/(asset) of the participating employers at June 30, 2018, were as follows (in thousands):

Total Pension Liability	\$ 7,387,056
Plan Fiduciary Net Position	<u>(5,472,727)</u>
Employers' Net Pension Liability (Asset)	<u>\$ 1,914,329</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.09%

The component of the net OPEB liability/(asset) of the participating employers at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 3,181,074
Plan Fiduciary Net Position	<u>(2,870,135)</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 310,939</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.23%

The Judicial Retirement System (JRS)

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

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the RHF, an other agency enterprise fund of the State, was established. The RHF is self-funded and

originally provided major medical, dental, vision, audio, and long-term care coverage to retirees of the PERS-DB, TRS-DB, and JRS Plans. Due to the establishment of the ARHCT effective July 1, 2007, the RHF now provides major medical coverage to those retirees not eligible to participate in the ARHCT, along with optional dental, vision, audio, and long-term care coverage to all retirees in these plans. The plan retains the risk of loss of allowable claims. The RHF issues a financial report that may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

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

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

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB liability, and pension and OPEB expense, information about the fiduciary net position of the JRS defined benefits plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. Contributions are recognized in the period in which they are due. Benefits are recognized when due and payable. The Plans own shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Treasury. The Plans' investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Additional information about the Plans' fiduciary net position can be found in the Plans' audited financial statements.

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 with five or more paid-up years of credited service are entitled to annual pension benefits beginning at normal retirement at age 60 or early retirement at age 55. Members who are under age 60 and have 20 or more years of credited service may retire at any age and receive an actuarially reduced benefit.

The normal monthly pension benefit is based on the member's years of service and the current authorized salary for the position from which they retired. The pension benefit is equal to 5 percent for each year of service up to a maximum of 75 percent of the current base salary for an active judge in the month the benefit is paid. In the event of salary increases for active judges, the monthly pension benefit for retired judges also increases.

Upon the death of a member who has served for at least two years, the surviving spouse is entitled to receive monthly benefits equal to one-half of the monthly retirement pay the member would have been entitled to receive if retired at the time of death. If the member was not eligible to retire or would have been entitled to less than 60 percent of the monthly authorized salary, the spouse is entitled to monthly benefits not less than 30 percent of the authorized salary. The benefits continue until the surviving spouse dies.

If there is no eligible surviving spouse, the member's surviving dependent child(ren) are entitled to receive a benefit equal to 50 percent of the above survivor's benefit. Each child will receive an equal share of the benefit while they are dependent. If there is no surviving spouse or dependent child(ren), the member's beneficiary(ies) shall receive the difference between contributions made and interest accrued in the Plan less benefits paid by the Plan.

Members who are involuntarily retired for incapacity and have a minimum of five years of service at the time of retirement for incapacity are eligible for pension benefits.

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

The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2018, was 74.21 percent of compensation. Total employer contributions for FY 18 were \$10,528 thousand for pensions, and \$621 thousand for postemployment benefits. Included in the total employer

contribution amounts is \$5.4 million appropriated in Chapter 1 SSSLA 2017 from the General Fund to JRS as an additional state contribution for the purpose of funding the retirement system.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The components of the net pension liability/(asset) at June 30, 2018, were as follows (in thousands):

Total Pension Liability	\$ 228,334
Plan Fiduciary Net Position	(176,795)
Employers' Net Pension Liability (Asset)	<u>\$ 51,539</u>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	77.43%

The components of the net OPEB liability/(asset) at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 18,573
Plan Fiduciary Net Position	(31,498)
Employers' Net OPEB Liability (Asset)	<u>\$ (12,925)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	169.58%

The Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)

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

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

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to the pension asset and pension expense, information about the fiduciary net position of the NGNMRS defined benefits plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. Contributions are recognized in the period in which they are due. Benefits are recognized when due and payable. The Plan owns shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Treasury. The Plan's investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

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.

Members who voluntarily retire from the Alaska National Guard or Alaska Naval Militia after at least five years of Alaska Guard service and a total of at least 20 years of U.S. military service or members who involuntarily leave the Alaska Guard service due to federal standards imposed on the Alaska Guard, regardless of length of service, are eligible for a retirement pension. The retirement pension is \$100 per month for each month of Alaska Guard service and may be paid to the member monthly or in a one-time lump sum.

Upon the death of an eligible member, as previously described, the member's designated beneficiary is entitled to a lump-sum benefit equal to the original pension amount less any payments already paid to the member.

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

Chapter 1 SSSLA 2017 appropriated \$835 thousand from the General Fund to the NGNMRS for the purpose of funding past service liability and \$72 thousand as an additional state contribution for FY 18.

The components of the net pension liability/(asset) at June 30, 2018, were as follows (in thousands):

Total Pension Liability	\$ 34,001
Plan Fiduciary Net Position	(39,418)
Employers' Net Pension Liability (Asset)	<u>\$ (5,417)</u>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	115.93%

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	\$ 16,994,893
Teachers' Retirement System	8,379,934
Judicial Retirement System	208,727
Alaska National Guard and Alaska Naval Militia Retirement System	39,571

PLAN MEMBERSHIPS

The table below includes the plan membership counts from the notes to the separately issued financial statements for the various plans.

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>
Inactive plan members or beneficiaries				
currently receiving benefits	35,139	12,962	122	676
Inactive plan members entitled to but				
not yet receiving benefits	5,606	801	4	1,427
Inactive plan members not entitled to				
benefits	11,128	1,906	—	—
Current active employees	13,611	4,457	70	4,054
Total	<u>65,484</u>	<u>20,126</u>	<u>196</u>	<u>6,157</u>

Actuarial Method and Assumptions

Under the Entry Age Normal Actuarial Cost Method, any funding surpluses or unfunded actuarial accrued liability are amortized over a closed 25-year period (established June 30, 2014) as a level percentage of payroll amount. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits) from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs. The actuarial accrued

liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members. The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date. Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

The following main assumptions were used in the actuarial valuation.

System	Investment Rate of Return	Actuarial Cost Method	Amortization Method	Equivalent Single Amortization Period	Salary Scale Increase	Valuation Date
PERS	8% (net of plan investment expenses), Inflation 3.12%, Real Return 4.88%	Entry age normal; level percentage of pay normal cost basis	Level percentage of pay; closed	25 years as of 6/30/14	For Peace Officer/Firefighter, increases range from 9.66% to 4.92% based on service. For all others, increases range from 8.55% to 4.34% based on age and service.	6/30/2017
TRS	8% (net of plan investment expenses), Inflation 3.12%, Real Return 4.88%	Entry age normal; level percentage of pay Normal Cost Basis	Level percentage of pay; closed	25 years as of 6/30/14	Graded by service, from 8.11% to 3.87%	6/30/2017
JRS	8% Includes Inflation at 3.12%	Entry age normal; level dollar for healthcare	Level dollar, closed	13 years	3.62%	6/30/2016
NGNMRS	7% (net of investment expense) Inflation at 3.12%	Entry age normal	Level dollar, open	20 years less average military service of active members	None	6/30/2016

Health Care Cost Trend

		<u>Medical Pre-65</u>	<u>Medical Post-65</u>	<u>Rx</u>	<u>RDS/EGWP</u>
For PERS/TRS:	FY18	8.0%	5.5%	9.0%	6.5%
	FY19	7.5	5.5	8.5	6.2
For JRS:	FY18	8.2	5.7	5.1	
	FY19	7.6	5.6	4.8	

For PERS and TRS, assets are at fair value, with 20 percent of the investment gains or losses recognized each year, for a period of up to 5 years. For JRS, assets are at market value, with 20 percent of the investment gains or losses recognized in each of the

current and preceding four years and phased in over the next five years. For NGNMRS, assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years. JRS and NGNMRS valuation assets cannot be outside a range of 80 to 120 percent of the market value of assets. Assets are valued at a five-year smoothed market valuation method.

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

Projections of benefits for financial report purposes are based on the substantive plan and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

B. NON-STATE ADMINISTERED PLANS

ALASKA RAILROAD CORPORATION PENSION AND HEALTH CARE TRUST

Alaska Railroad Corporation Pension Plan

The Alaska Railroad Corporation (ARRC) has a single-employer defined benefit pension plan (the Plan) administered by the Tax Deferred Savings and Pension Committee covering all regular represented and nonrepresented employees who are not covered by the Civil Service Retirement System (CSRS). Benefits provided by the Plan include retirement, disability, and death benefits. Benefit terms and contribution rates are established and amended under the authority of the Board of Directors. Benefits under this Plan are based upon the employee's years of service and final average compensation. The ARRC's funding policy is to contribute each year an actuarially determined contribution rate recommended by an independent actuary. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees contribute an amount equal to 9 percent of eligible compensation.

For purposes of measuring the net pension liability, net other post employment benefit liability (OPEB), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB asset, and pension and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The fair value for mutual fund investments is determined based on published market prices and quotations from national security exchanges. The fair value of real estate and collective funds is determined based on the net asset value per share of the fund.

As of December 31, 2017, the Plan assets consist of cash and cash equivalents of 4.3 percent, fixed income securities 27.0 percent, equities 57.5 percent, commodities of 1.8 percent, and real estate investments of 9.4 percent.

At December 31, 2017, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	268
Inactive plan members entitled to but not yet receiving benefits	364
Active plan members	647
	<u>1,279</u>

The components of the net pension liability at December 31, 2017 were as follows (in thousands):

Total Pension Liability	\$ 200,808
Plan Fiduciary Net Position	(185,423)
Employers' Net Pension Liability (Asset)	<u>\$ 15,385</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.34%

Alaska Railroad Corporation Health Care Trust

The ARRC sponsors a single-employer, defined benefit retiree health care plan (Plan) administered by the Nonrepresented Tax Deferred Saving, 457 and Health Care Trust Plan Committee covering nonrepresented and Alaska Railroad Workers (ARW) represented employees, who became employed prior to November 4, 2014. The Plan also covers regular represented employees covered under the American Train Dispatchers Association (ATDA) or other represented employees hired before March 4, 2016 for United Transportation Union (UTU), April 2, 2015 for Carmen's Division of Transportation Communication International Union (TCU), and April 26, 2016 for International Brotherhood of Teamsters Local 959 (IBT), as specified in the labor agreements.

The Plan provides postretirement medical benefits to employees receiving retirement under the pension plan and retired CSRS employees who do not qualify for the federal medical insurance, and who move directly from active coverage to retiree coverage. The Plan is contributory with retiree premiums adjusted annually, and contains other cost-sharing features such as deductibles and coinsurance. The ARRC's funding policy is to contribute each year an amount equal to the actuarially determined contribution. Benefit terms and contribution rates are established and amended under the authority of the Board of Directors and management.

There were no contributions recognized or due by the Plan from the ARRC during the year ended December 31, 2017. As of December 31, 2017, the Plan assets are held in trust and consist of cash and cash equivalents of 4.8 percent, fixed income securities of 48.1 percent, equities of 35.9 percent, and real estate investments of 11.2 percent. The value of trust assets used for GASB 75 excludes certain Trust assets segregated for use toward the ARRC Welfare Benefit Plan.

At December 31, 2017 the Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	—
Active plan members	444
	<u>475</u>

The components of the net OPEB asset for the Plan at December 31, 2017, were as follows (in thousands):

Total OPEB Liability	\$ 17,152
Plan Fiduciary Net Position	(46,627)
Employers' Net OPEB Liability (Asset)	<u>\$ (29,475)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(271.85)%

Actuarial Method and Assumptions

The following main assumptions were used in the actuarial valuation dated January 1, 2017:

	Investment Rate of Return	Amortization Method	Equivalent Single Amortization Period	Salary Scale Increase
Pension	7.50%, Inflation 2.8%	Level Dollar	Rolling (open) 30-year period	3.0% CPI plus merit based rates; cost of living allowance 1.4%
Healthcare	6.75%, Inflation 2.8%	Level Dollar	Rolling (open) 6-year period	3.0% CPI plus merit based rates

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS**STATE ADMINISTERED PLANS****DESCRIPTION OF PLANS****A. The Public Employees' Retirement System - Defined Contribution Retirement Plan (PERS-DCR)**

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

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

As of June 30, 2018, there were 157 employers participating in PERS-DCR. There were 20,811 members, of which 18,906 are general employees and 1,905 are peace officers and firefighters.

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ration of (a) 25 percent with two years of service; (b) 50 percent with three years of service; (c) 75 percent with four years of service; and (d) 100 percent with five years of service. Any forfeited employer contributions are used to reduce pension expense in the the fiscal year it is forfeited.

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

The PERS-DCR pension contributions for the year ended June 30, 2018 by the State of Alaska employees were \$47,928 thousand and the State of Alaska employers were \$27,299 thousand. The State of Alaska PERS other postemployment contributions for the year ended June 30, 2018 were \$26,933 thousand (\$1,174 thousand for OD&D, \$19,586 thousand for HRA, and \$6,173 thousand for RMP).

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR, RMP, HRA, and OD&D cash and investments as of June 30, 2018 is \$1,569,489 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

For the year ended June 30, 2018 the State of Alaska recognized \$12,292 thousand in pension expense for the PERS-DCR as an employer. Forfeitures of \$17,671 thousand are reflected in the pension expense amount.

On July 1, 2006, three other postemployment benefit trust funds were created within PERS; RMP, HRA, and OD&D. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides death benefits for beneficiaries and long-term disability benefits to all active employees as a result of death or disability on the job. PERS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB liability, OPEB expense, information about the fiduciary net position of the PERS defined contribution OD&D, HRA, and RMP plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. Contributions are recognized in the period in which they are due. Benefits are recognized when due and payable. The Plans own shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Treasury. The Plans' investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Additional information about the Plans' fiduciary net position can be found in the Plans' audited financial statements.

The employer RMP contribution rate for FY 18 for each member's compensation was 1.03 percent for medical coverage and 0.16 percent for death and disability (0.43 percent for peace officers and firefighters). HRA is \$173.68 per month for full time employees and \$1.34 per hour for part time employees.

Members in the HRA Plan consisted of the following at June 30, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	19
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1,175
Inactive Plan Members Not Entitled to Benefits	11,896
Active Plan Members	20,811

The components of the net OPEB liability (asset) of the participating employers for the OD&D Plan at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 11,383
Plan Fiduciary Net Position	(30,805)
Employers' Net OPEB Liability/(Asset)	<u>\$ (19,422)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	270.62%

Members in the OD&D Plan consisted of the following at June 30, 2018:

Active Plan Members	20,811
Participating Employers	157
Open Claims	29

The components of the net OPEB liability (asset) of the participating employers for the RMP at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 112,740
Plan Fiduciary Net Position	(100,015)
Employers' Net OPEB Liability (Asset)	<u>\$ 12,725</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	88.71%

Members in the RMP consisted of the following at June 30, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	11
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	1,183
Inactive Plan Members Not Entitled to Benefits	11,896
Active Plan Members	20,811

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2018:

Inflation	3.12%
Salary Increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter. Graded by age and service, from 8.55% to 4.34% for all others
Investment Rate of Return	8.00% net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real return of 4.88%
Healthcare Cost Trend Rates (RMP)	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% RX: 9.0% grading down to 4.0% RDS/EGWP: 6.5% grading down to 4.0%

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

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

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 7), TRS-DCR Plans, TRS Retiree Medical Plan (RMP) and Healthcare Reimbursement Arrangement Plan (HRA), and Occupational Death and Disability (OD&D). TRS is reported as a pension (and other employee benefit) trust fund by the State. TRS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203 or from their website at <http://doa.alaska.gov/drb/>.

As of June 30, 2018, there were 57 employers participating in TRS-DCR. There were 4,937 active members.

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ration of (a) 25 percent with two years of service; (b) 50 percent with three years of service; (c) 75 percent with four

years of service; and (d) 100 percent with five years of service. Any forfeited employer contributions are used to reduce pension expense in the the fiscal year it is forfeited.

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

The TRS-DCR pension contributions for the year ended June 30, 2018 by the employees were \$770 thousand and the State of Alaska employers were \$626 thousand. The State of Alaska TRS other postemployment contributions for the year ended June 30, 2018 were \$330 thousand (\$243 thousand for HRA and \$88 thousand for RMP).

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR, RMP, HRA, and OD&D cash and investments as of June 30, 2018 is \$600,856 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

For the year ended June 30, 2018 the State of Alaska recognized \$658 thousand in pension expense for the TRS-DCR as an employer. Forfeitures of \$16 thousand are reflected in the pension expense amount.

On July 1, 2006, two other postemployment benefit trust funds were created in TRS, the RMP and HRA. The TRS OD&D other postemployment benefit trust fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides death benefits for beneficiaries and long-term disability benefits to all active employees as a result of death or disability on the job. TRS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 18 for each member's compensation was 0.91 percent for medical coverage and zero percent for death and disability. HRA is \$173.68 per month for full-time employees while part-time employees are based on the contract percentage worked multiplied by the full-time employee rate.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB liability, OPEB expense, information about the fiduciary net position of the TRS defined contribution OD&D, HRA, and RMP plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. Contributions are recognized in the period in which they are due. Benefits are recognized when due and payable. The Plans own shares in various investment pools that are administered by the State of Alaska, Department of Revenue, Treasury. The Plans' investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Additional information about the Plans' fiduciary net position can be found in the Plans' audited financial statements.

Members in the HRA Plan consisted of the following at June 30, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	9
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	614
Inactive Plan Members Not Entitled to Benefits	2,387
Active Plan Members	4,937

The components of the net OPEB liability (asset) of the participating employers for the OD&D Plan at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 291
Plan Fiduciary Net Position	(3,797)
Employers' Net OPEB Liability (Asset)	<u>\$ (3,506)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1,304.81%

Members in the OD&D Plan consisted of the following at June 30, 2018:

Active Plan Members	4,937
Participating Employers	57
Open Claims	7

The components of the net OPEB liability (asset) of the participating employers for the RMP at June 30, 2018, were as follows (in thousands):

Total OPEB Liability	\$ 33,466
Plan Fiduciary Net Position	(36,665)
Employers' Net OPEB Liability (Asset)	<u>\$ (3,199)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	109.56%

Members in the RMP consisted of the following at June 30, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	610
Inactive Plan Members Not Entitled to Benefits	2,387
Active Plan Members	4,937

The total OPEB liability for each plan was determined by actuarial valuations as of June 30, 2017, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2018:

Inflation	3.12%
Salary Increases	Graded by service, from 8.11% to 3.87%
Investment Rate of Return	8.00% net of postretirement healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real return of 4.88%
Healthcare Cost Trend Rates (RMP)	Pre-65 medical: 8.0% grading down to 4.0% Post-65 medical: 5.5% grading down to 4.0% RX: 9.0% grading down to 4.0% RDS/EGWP: 6.5% grading down to 4.0%

C. Supplemental Benefits System

In addition to the pension plans (note 7) and deferred compensation plan (note 9), all state employees, as well as employees of political subdivisions which have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Cafeteria Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). All State employees, who

would have participated in Social Security if the State had not withdrawn, participate in SBS. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of June 30, 2018, there were 23 employers participating in SBS. There were 45,504 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Cafeteria Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State and other participating employers are required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ended June 30, 2018, were \$71,844 thousand and amounts contributed by employees were \$71,844 thousand. The State's covered payroll was \$1,172,008 thousand. For the year ended June 30, 2018 the State of Alaska recognized \$71,844 thousand in pension expense for the SBS as an employer.

Supplemental Benefit Cafeteria Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ended June 30, 2018, were \$3,509 thousand.

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

Benefits available under the Supplemental Benefits Cafeteria Plan include life, death, disability, survivor benefits, and critical illness insurance. 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.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended June 30, 2018. Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

D. University of Alaska Optional Retirement Plan - Defined Contribution (ORP)

The ORP is an employer funded defined contribution plan which operates in conjunction with a companion mandatory tax-deferred annuity plan. The ORP is comprised of three layers of participants: the original ORP, or ORP Tier 1, which was created for participants hired prior to July 1, 2005; ORP Tier 2, which was created for participants hired between July 1, 2005 and June 30, 2006; and ORP Tier 3, which was created for participants hired on or after July 1, 2006. For ORP Tier 1 and ORP Tier 2, faculty classified as regular and certain administrators made a one-time election to participate in the ORP as an alternative to participation in the defined benefit plans, PERS-DB or TRS-DB. The ORP Tier 2 plan was available for new ORP benefit-eligible employees hired in fiscal year 2006. As of July 1, 2006, the ORP Tier 2 plan was no longer available to newly-hired ORP benefit-eligible employees. For ORP Tier 3, each new eligible employee was able to make a one-time election to participate in the University of Alaska Retirement Program (includes ORP Tier 3 and the University of Alaska Pension Plan) as an alternative to participation in the State of Alaska defined contribution plans, PERS-DC or TRS-DC. Beginning July 1, 2015 the ORP was closed to new hired regular staff.

University contributions are remitted to the plan's authorized employee-selected annuity providers or investment managers. The contribution rates and amounts for fiscal year 2018 were as follows (in thousands):

	ORP Tier 1	ORP Tier 2	ORP Tier 3
Employee Contribution Rates	8.65%	8.65%	8.00%
University Contribution Rates	14.00%	12.00%	12.00%
Covered Payroll	\$34,529	\$2,706	\$112,701
University Contributions	\$4,834	\$325	\$13,524

At June 30, 2018, plan assets (participants' accounts attributable to employer contributions) for ORP Tier 1, Tier 2, and Tier 3 had a net value to \$276.2 million. ORP Tier 1 and ORP Tier 2 participants are 100 percent vested at all times. University contributions for ORP Tier 3 participants are 100 percent vested after three years of service.

University of Alaska Pension Plan

In addition to the other retirement plans, substantially all regular employees (hired before July 1, 2006) and certain faculty classified as temporary, participate in the Pension plan which was established January 1, 1982, when the University withdrew from the federal social security program. Eligible employees, hired on or after July 1, 2006, who elected to participate in the University of Alaska Retirement Program also participate in the Pension plan.

Effective January 1, 2018, employer contributions for regular employees were 7.65 percent of covered wages up to \$42.0 thousand. For certain faculty classified as temporary, the employer contributions were 7.65 percent of covered wages up to \$128.4 thousand in 2018. The plan provides for employer contributions to be invested in accordance with participant-directed investment elections. Participants hired before July 1, 2006 are 100 percent vested at all times. University contributions for participants hired on or after July 1, 2006 are 100 percent vested after three years of service. Regular staff hired on or after July 1, 2015 are also 100 percent vested after three years of service of the employer contributions of the pension plan.

In fiscal year 2018, the University's total covered payroll for the Pension plan was \$153.3 million. The University's gross costs to fund and administer the plan totaled \$11.7 million for the year ended June 30, 2018. At June 30, 2018, plan assets (participants' accounts) had a net value of \$436.3 million.

NOTE 9 – DEFERRED COMPENSATION PLAN

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long-term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of June 30, 2018 the Deferred Compensation Plan had 11,230 participants.

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

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

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

Deferred Compensation Plan net position as of June 30, 2018 was \$945,399 thousand. The Deferred Compensation Plan is reported in the accompanying financial statements as a pension (and other employee benefit) trust fund.

NOTE 10 – INTERFUND TRANSACTIONS

The following schedules summarize individual interfund receivable and payable balances at June 30, 2018, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

Due to Other Funds	Due from Other Funds								Total
	General Fund	Alaska Permanent Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Fiduciary Funds	Other	
General Fund	\$ —	\$ 18,227	\$ 4,845	\$ 1,856	\$ 1,372	\$ 12,920	\$ 36,457	\$ 6,686	\$ 82,363
Alaska Permanent Fund	43,395	—	—	—	—	—	—	—	43,395
Nonmajor Governmental Funds	8,468	—	—	—	—	—	—	—	8,468
International Airports	75	—	—	—	—	—	—	—	75
Nonmajor Enterprise Funds	1,463	—	—	—	—	—	—	—	1,463
Internal Service Funds	46	—	—	—	—	—	—	—	46
Fiduciary Funds	2,416	—	—	—	—	—	—	—	2,416
Other	2	—	—	—	—	—	—	—	2
Total	\$ 55,865	\$ 18,227	\$ 4,845	\$ 1,856	\$ 1,372	\$ 12,920	\$ 36,457	\$ 6,686	\$ 138,228

The \$43.4 million balance due from the Alaska Permanent Fund to the General Fund is to be transferred to the Alaska Capital Income Fund.

The \$6.7 million reported in the Other column consists of transfers from the General Fund to the Alaska Permanent Fund that was not included in the Alaska Permanent Fund outside audit. The amount is immaterial to the Alaska Permanent Fund's audited financial statements thus the audit was not restated.

INTERFUND TRANSFERS

Transfers From	Transfers to					Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Internal Service Funds	Other	
General Fund	\$ —	\$ 89,816	\$ —	\$ 7,197	\$ 1	\$ 97,014
Alaska Permanent Fund	769,345	—	—	—	—	769,345
Nonmajor Governmental Funds	—	6,428	—	—	—	6,428
Nonmajor Enterprise Funds	—	—	410	—	—	410
Total	\$ 769,345	\$ 96,244	\$ 410	\$ 7,197	\$ 1	\$ 873,197

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

The transfer from the Alaska Permanent Fund to the General Fund includes a \$688.4 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$43.4 million transfer to the Alaska Capital Income Fund.

NOTE 11 – RELATED PARTY ACTIVITY

Based on understandings and board approved agreements between the Alaska Industrial Development and Export Authority (AIDEA) and Alaska Energy Authority (AEA), AIDEA provides administrative, personnel, data processing, communications

and other services to AEA. AIDEA recognized revenue totaling \$5.05 million for providing these services during FY 18. On June 30, 2018 AIDEA had \$4.28 million receivable from AEA for services and short-term borrowings. In addition, AIDEA received \$200 thousand for administration of the Bradley Lake Hydroelectric Project and \$22 thousand for administration of the Battle Creek Project.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of \$24,254 thousand, plus accrued interest, for \$20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default. The current loan outstanding balance at June 30, 2018 is \$14,184 thousand.

AEA is party to an agreement with utilities (GVEA, MEA, CEA, and ML&P) using the Alaska Intertie for wheeling of electrical power. Pursuant to the Intertie agreement, the Intertie Management Committee (IMC) was established to manage the system. The IMC is comprised of a representative from AEA and each of the utilities. AEA is reimbursed for operation and maintenance costs on a monthly basis with an annual settlement to adjust the payment to actual costs. AEA received \$99 thousand during fiscal year 2018 for administrative services.

On December 7, 1987, AEA entered into a Power Sales Agreement (PSA) with utilities (GVEA, MEA, CEA, ML&P, HEA, and City of Seward) purchasing electric power produced by the Bradley Lake Hydroelectric Project. In 1988, legislation was passed which made the PSA effective. Pursuant to the PSA, a Project Management Committee (PMC) was formed to manage the project. The PMC is comprised of a representative from AEA and each of the utilities. The participating utilities make monthly payments directly to the bond trustee based on their respective percentage share of the estimated annual project costs. AEA has an agreement with the PMC to provide administrative services to the Bradley Lake Project and received \$222 thousand for these services.

Northern Tobacco Securitization Corporation (NTSC) entered into a memorandum of agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that NTSC is required to prepare, execute, file or deliver pursuant to the bond indenture and the related agreements for a monthly fee. NTSC also entered into a sub-lease agreement with AHFC for office space, overhead and operating services from AHFC for a monthly fee. The cost to NTSC for these services provided by AHFC for the year ended June 30, 2018 was approximately \$9 thousand.

Alaska Gasline Development Corporation (AGDC) utilizes certain AHFC administrative and support services and products such as payroll administration for half of the fiscal year, employee medical plans and their associated administrative services. There was no outstanding balance due to AHFC at June 30, 2018.

The Department of Transportation and Public Facilities (DOTPF) provides administrative and technical services benefiting all Alaska's airports and aircraft bases. Related costs are allocated based upon budgetary estimates of the pro rata portion which should be borne by various facilities as set forth in the annual appropriation and budget document of the State. Costs allocated to the International Airport Fund (IAF) as operating expenses totaled \$3,557 thousand for the year ended June 30, 2018. Capital project management services are performed by DOTPF personnel and are capitalized to IAF capital assets. The indirect costs allocated to the IAF and capitalized to construction in progress totaled \$3,326 thousand during the year ended June 30, 2018.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. SICK LEAVE

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

The estimated amount of unused accumulated sick leave as of June 30, 2018, is \$12,823 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2018. It does not include an estimate of the cost of fringe benefits (supplemental benefits, retirement, group insurance, etc.) which can vary depending on the status of the employee when leave is taken.

B. SCHOOL DEBT

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

Although the statute provides that the State may reimburse school districts 60, 70, 80, 90, or 100 percent of construction costs, the actual funding for the program is dependent on annual legislative appropriations to the school construction account. When amounts in the account are insufficient, the available funds are allocated pro rata among the eligible school districts. There is no contractual commitment by the State to make these payments. The amount for FY 18 expended for school debt was \$110,589 thousand, which was 99 percent of the entitlement. The remaining FY 18 entitlement of \$1,063 thousand; 1 percent, was paid out in FY 19. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately \$912,289 thousand. The State has in the past and did appropriate less than the full amount which the municipalities are entitled under statute in FY 18.

C. RISK MANAGEMENT AND SELF-INSURANCEPRIMARY GOVERNMENT

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

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

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

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

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

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

In FY 18, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property, \$500 thousand for marine risks, and \$250 thousand per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$1 billion per occurrence for marine, \$225 million for property, and \$500 million for airport.

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

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2017 and June 30, 2018 (in thousands). The State records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management are presented at their present value using a 3.0 percent discount interest rate for FY 17 and for FY 18. Claims payment amounts include allocated loss adjustment expenses (legal and adjusting).

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2017	\$ 133,572	\$ 33,544	\$ (31,922)	\$ 135,194
2018	135,194	46,399	(27,610)	153,983

UNIVERSITY OF ALASKA

The University is exposed to a wide variety of risks including property loss, bodily and personal injury, intellectual property, errors and omissions, cyber-attacks, aviation and marine. Exposures are handled with a combination of self-insurance, commercial insurance, and membership in a reciprocal risk retention group.

The University is self-insured up the maximum of \$2.0 million per occurrence for casualty claims and \$250 thousand for property claims. Commercial carriers provide coverage in excess of these amounts. Health care, workers’ compensation and unemployment claims are fully self-insured. Liabilities have been established using actuarial analysis to cover estimates for specific reported losses, estimates for unreported losses based upon past experience modified for current trends, and estimates of expenses for investigation and settling claims.

Changes in applicable self-insured liability amounts follow (in thousands):

	Balance July 1, 2017	Provision for Claims	Claims Payments	Balance June 30, 2018
Health	\$ 6,215	\$ 52,809	\$ (52,989)	\$ 6,035
General Liability	2,408	1,927	(1,241)	3,094
Workers' Compensation	5,082	926	(1,303)	4,705
Unemployment	88	572	(505)	155
	<u>\$ 13,793</u>	<u>\$ 56,234</u>	<u>\$ (56,038)</u>	<u>\$ 13,989</u>

ALASKA RAILROAD CORPORATION

The Alaska Railroad Corporation (ARRC) is self-insured to certain limits for employee health benefits, personal injury, property and casualty damage claims, and workers' compensation claims, and establishes reserves for the estimated losses of such claims, including estimates of losses incurred but not reported, based on historical experience adjusted for current trends. The ARRC uses third-party administrators that process claims based on the provisions of the employee health plan, or for on-the-job injuries, in compliance with the State of Alaska Workers' Compensation Act. ARRC's commercial insurance policies with self-insured retention limits are summarized as follows at December 31, 2017 (in thousands):

Casualty/Liability	\$	300,000
Property Damage		100,000
Casualty/Liability Retention		5,000
Property Damage Retention		10,000

Self-insurance activity is summarized as follows during the year ended December 31, 2017 (in thousands):

	Balance at December 31, 2016	Incurred Claims	Claim Payments	Balance at December 31, 2017
Employee Health Benefits	\$ 1,174	\$ 11,155	\$ (11,116)	\$ 1,213
Workers' Compensation	1,732	1,401	(1,737)	1,396

D. LITIGATION AND ADMINISTRATIVE APPEALS

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately \$9,038 thousand, with an additional possible liability of \$7,210 thousand. The probable loss amount has been reported as long-term debt obligations.

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

The Department of Revenue, Oil and Gas Audit Group performs periodic audits of oil and gas companies. Audits often result in additional assessments. Oil and gas companies sometimes choose to pay the additional assessments "under protest" to avoid accruing interest. Because these payments are deposited in the Constitutional Budget Reserve Fund but are still under dispute, the oil and gas audit assessment revenues recognized in the Constitutional Budget Reserve Fund could be adversely affected by a potential refund resulting from a decision issued by the Department of Revenue's Appeals Group, by the Department of Administration's Office of Administrative Hearings, or by a Superior Court or Supreme Court ruling. The amount subject to potential refund could not be estimated.

E. FEDERAL GRANTS

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

F. DISASTER RELIEF FUND

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

G. FUTURE LOAN COMMITMENTS

As of June 30, 2018, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements are uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2018, the Alaska Clean Water and the Alaska Drinking Water Funds have entered into binding commitments, as evidenced by signed loan agreements, for which funds remain to be disbursed totaling \$112,375 thousand and \$42,056 thousand respectively.

As of June 30, 2018, the Department of Commerce, Community and Economic Development identified outstanding loan commitments. Agreements have been entered into, yet funds have not yet been disbursed. The open loan commitments include the Alaska Commercial Fishing Revolving Loan Fund for \$1,265 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for \$2,260 thousand, and the Mariculture Revolving Loan Fund for \$27 thousand.

At June 30, 2018, the Alaska Energy Authority had open Power Project Fund loan commitments of \$9,787 thousand.

At June 30, 2018, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments to be funded by the Revolving Fund of \$31.2 million and loan guarantees of \$1.4 million. AIDEA extended commitments to fund a loan to the Interior Gas Utility not to exceed \$125 million from the Sustainable Energy Transmission and Supply Development Fund for the Interior Energy Project. At June 30, 2018, AIDEA has funded approximately \$77 million, resulting in a remaining commitment of approximately \$48 million.

AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guaranty Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies regulators put into liquidation. AIDEA can guarantee only loans AIGA needs to meet cash flow needs up to a maximum of \$30 million in outstanding principal balance at any time. No guarantees have been made pursuant to this authorization.

H. POTENTIAL DEVELOPMENT PROJECTS

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

I. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future pension fund investments. At June 30, 2018, ARMB's unfunded commitments were as follows (in thousands):

Investment Type	
Absolute Return	\$ 55,546
Energy	41,614
Infrastructure	52,789
Private Equity	1,592,732
Real Estate	184,520
	<u>\$ 1,927,201</u>

J. POLLUTION REMEDIATION

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

According to AS 46.03.010, it is the policy of the state to conserve, improve, and protect its natural resources and environment and control water, land, and air pollution, in order to enhance the health, safety, and welfare of the people of the State and their overall economic and social well-being. It is also the policy of the State to improve and coordinate the environmental plans, functions, powers, and programs of the State, in cooperation with the federal government, functions, local governments, other public and private organizations, and concerned individuals, and to develop and manage the basic resources of water, land, and air to the end that the State may fulfill its responsibility as trustee of the environment for the present and future generations.

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

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

At July 1, 2017, the General Fund had pollution remediation obligations of \$119,776 thousand. As of June 30, 2018, the State had an increase to the obligation of \$15,744 thousand and recognized a decrease of \$9,925 thousand, for an ending balance of \$125,595 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of \$23,252 thousand from other responsible parties.

At July 1, 2017, the International Airports Fund (IAF) reported pollution remediation liabilities of \$3,970 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2018, the IAF reported an increase of \$1,620 thousand and a decrease of \$220 thousand for an ending balance of \$5,370 thousand. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for eleven sites for which obligating events have been determined to have occurred and the IAF is in whole or part a responsible party.

At December 31, 2016, the Alaska Railroad Corporation had pollution remediation obligations of \$2,466 thousand. As of December 31, 2017, the Alaska Railroad Corporation had no additional obligations and reductions in obligations of \$11 thousand, for an ending liability of \$2,455 thousand. The Alaska Railroad Corporation estimated the liability for pollution remediation by estimating a reasonable range of potential outlays and multiplying those outlays by the probability of occurrence, reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities associated with these sites could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation efforts.

K. ENCUMBRANCES

The State of Alaska utilizes encumbrance accounting to identify fund obligations. The following shows encumbrances within the governmental funds for the fiscal year ended June 30, 2018:

	Amount (in thousands)
General Fund	\$ 510,690
Special Revenue Funds	7,963
Capital Project Funds	34,288
Permanent Funds	101
Total Encumbrances	<u>\$ 553,042</u>

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

The Department of Education and Early Development, Department of Environmental Conservation, and Department of Transportation and Public Facilities had several construction/maintenance projects underway which totals \$151.0 million of which \$139.6 million is in the General Fund, \$5.9 million are Capital Project Funds, and \$5.5 million is in the Statutory Budget Reserve Fund. These projects are funded by a mixture of general funds and bond proceeds.

The Department of Commerce, Community and Economic Development administers grants to municipalities and named recipients which total \$78.0 million of which \$59.6 million is in the General Fund and \$18.4 million is in the Capital Project Fund. These projects are funded by the general fund and bond proceeds.

The Department of Transportation and Public Facilities has a project for the Alaska Marine Highway System Alaska Class Ferry purchase for a total of \$18.9 million, which is in the General Fund. This is funded by general fund resources.

Construction commitments for the University of Alaska at June 30, 2018 aggregated \$38.2 million. At June 30, 2018, the University had received \$30.8 million from the State of Alaska capital appropriations and other sources in advance of expenditures. The advances are included in unearned revenue and deposits.

L. MEDICAID

The Alaska Health Enterprise (AHE) system processes Medicaid and Children's Health Insurance Program medical claims submitted by service providers. Some claims are suspended during normal processing for reasons including third party insurance verification, verification of medical necessity, and provider claim submission errors. Due to the complexity of claim processing, the cost of settling the suspended claims cannot be reasonably estimated.

M. OIL AND GAS TAX CREDITS

Producers or explorers of oil and gas can apply for a tax credit for certain qualifying losses and expenditures under AS 43.55.023 and AS 43.55.025. As of June 30, 2018, the Department of Revenue has received tax credit applications totaling \$64.9 million, which have not been accrued as a liability in the general fund financial statements. Due to the complexity of the approval process, the amount of the tax credit that will ultimately be issued or denied cannot be estimated.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2018, the Alaska Municipal Bond Bank Authority (AMBBA) issued the 2018 Series One general obligation bonds in the principal amount of \$12.1 million. The 2018 Series One bonds priced on November 8, 2018, and closed on November 27, 2018. The true interest cost for the total issuance was 4.2 percent, subject to the alternative minimum tax, with last maturity on February 1, 2038. The 2018 Series One proceeds were used to make two new loans to the City and Borough of Sitka, and to pay a portion of the costs of issuing the 2018 Series One Bonds.

On February 4, 2019, AMBBA instructed The Bank of New York Mellon Trust Company, N.A. to optionally redeem \$4.4 million of AMBBA reserve obligation bonds, including all accrued interest through the call date of March 8, 2019. The \$4.4 million consists of \$2.2 million in principle and accrued interest of the 2008 Series One AMBBA Reserve Obligation; \$0.8 million in principle and accrued interest of the 2008 Series Two AMBBA Reserve Obligation; \$0.4 million in principal and accrued interest of the 2009 Series One AMBBA Reserve Obligation; and \$1.0 million in principle and accrued interest of the 2009 Series Two AMBBA Reserve Obligation.

B. ALASKA CLEAN WATER FUND

Pursuant to legislative authorization obtained during the 2018 session of the Alaska Legislature, Series A Revenue Bond Anticipation Notes for FY 19 in the amount of \$1,924 thousand were issued on November 27, 2018. The borrowing is secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Pursuant to legislative authorization obtained during the 2018 session of the Alaska Legislature, Series B Revenue Bond Anticipation Notes for FY 19 in the amount of \$2,226 thousand were issued on November 27, 2018. The borrowing is secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA HOUSING FINANCE CORPORATION

On August 28, 2018, the Alaska Housing Finance Corporation (AHFC) delivered its \$167,780 thousand General Mortgage Revenue Bonds II, 2018 Series A and B. The Series A Bonds are \$109,260 thousand tax-exempt general obligations of the AHFC with a final maturity of December 1, 2048. The Series B Bonds are \$58,520 thousand tax-exempt general obligations of the AHFC with a final maturity of December 1, 2035. Interest on the Series A and B Bonds is payable each June 1 and December 1 at fixed rates ranging from 1.55 percent to 5.00 percent. Proceeds of the Series A and B Bonds will be used to finance mortgage loans, to refund certain outstanding obligations of the AHFC, to finance additional authorized activities of the AHFC, and to pay certain costs of issuance of the Bonds.

In August of 2018, the AHFC closed a \$5,000 thousand conduit bond issuance for Marina and Karina Park Project, a 21-unit multi-family rental facility in Anchorage, Alaska. The conduit bonds will not constitute an indebtedness of the AHFC or the State of Alaska, but will instead be payable solely by the borrower.

On November 2, 2018, AHFC entered into a forward delivery interest rate swap agreement with a June 1, 2019 effective date and a December 1, 2029 maturity date. The \$140 million notional amount swap agreement will be an effective hedging instrument relating to AHFC's \$140 million State Capital Project Bonds II, 2014 Series C, variable rate bonds. AHFC will pay a 3.222 percent fixed rate in exchange for receiving a 1-month LIBOR variable rate. As of November 2, 2018, the swap counterparty was rated AA-/Aa2 by S&P Global Ratings and Moody's Investors Service. Consistent with AHFC's existing interest rate swaps, the new agreement requires that if the rating on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swap's fair value.

E. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

In September 2018, AIDEA and Caracol Petroleum LLC (Caracol) executed a Purchase and Sale Agreement. Caracol is a wholly owned subsidiary of Alpha Energy Holding Limited (Alpha), a Singapore company, publicly traded on the Singapore stock exchange.

Under the terms of the agreements, AIDEA will sell its membership interests in Mustang Road LLC and Mustang Operations Center 1 LLC (MOC1) to Caracol for \$64 million as part of a larger restructure of Mustang field ownership. AIDEA will finance the sales price with a loan to Caracol. Closing is subject to conditions precedent including but not limited to the extension of a line of credit MOC1 has with the Alaska Department of Revenue and approvals by various parties involved. Provided all conditions precedent are satisfied, AIDEA anticipates closing to occur by the end of 2018.

Concurrent with the execution of the Purchase and Sale Agreement, AIDEA executed an Option Agreement with a five-year exercise period, providing AIDEA with the opportunity to purchase stock in Alpha. AIDEA cannot exercise the option to purchase Alpha stock until after the closing on the Purchase and Sale Agreement occurs and other conditions are satisfied.

F. STATE OF ALASKA

On November 30, 2018, the State of Alaska experienced a magnitude 7.0 earthquake located 10 miles north of Anchorage, AK. It was followed by a 5.7 magnitude aftershock centered 2.5 miles north-northwest of Anchorage. The earthquake caused severe damage to roads and bridges, buildings, water and wastewater pipes, and electrical systems. The total costs of the earthquake response cannot be accurately calculated at this time.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS AND RESTATED BEGINNING NET POSITION**PRIOR PERIOD ADJUSTMENT****Imbalance between Government-wide Statements**

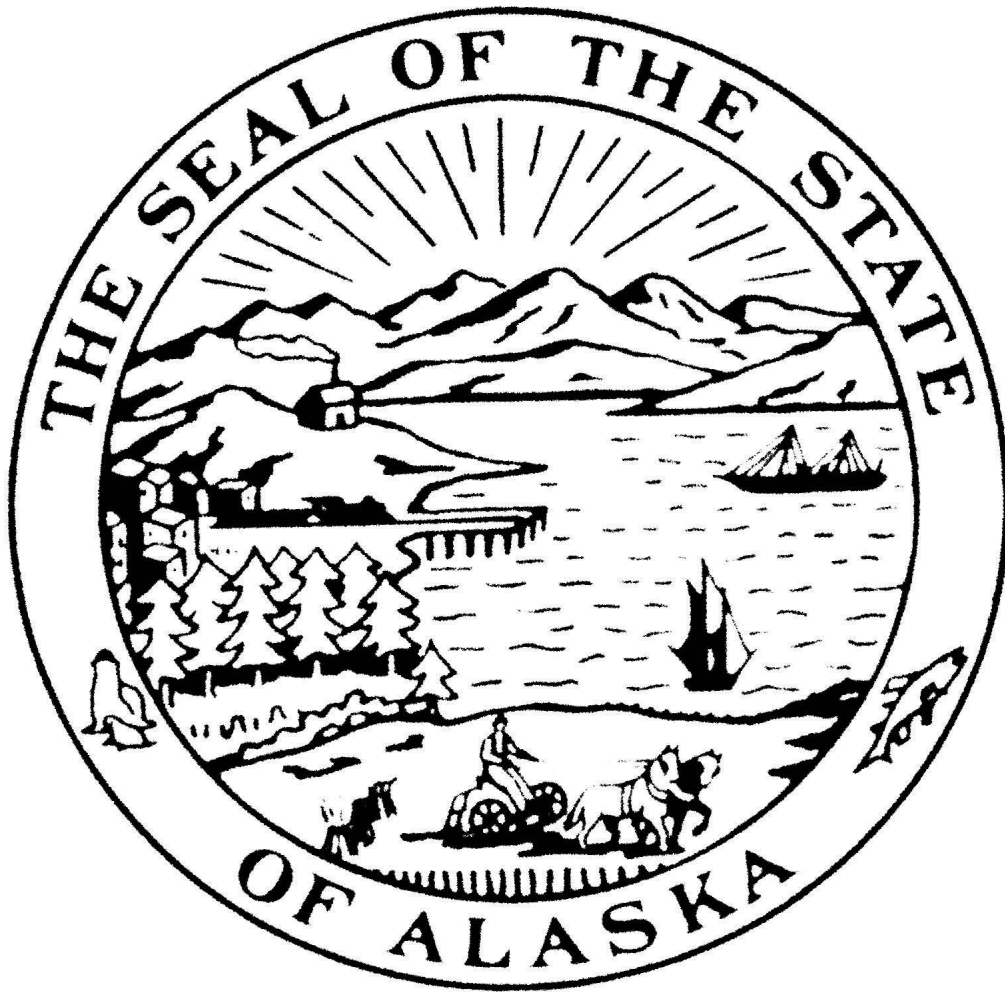
An error occurred in FY 17 causing Government-Wide statement 1.02 Governmental Activities, Net Position - End of Year to not equal Government-Wide statement 1.01 Governmental Activities, Total Net Position for a difference of \$16,504 thousand.

RESTATED BEGINNING NET POSITION**Governmental Accounting Standards Board Statement No. 75**

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statements addresses accounting and financial reporting for Postemployment Benefits Other Than Pensions (OPEB) that is provided to the employees of state and local governmental employers and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense.

The State of Alaska and its component units adopted the provisions of Statement 75 during FY 18; with the exception of the Alaska Railroad Corporation, who implemented during FY 016. The implementation of GASB 75 resulted in the reporting of an OPEB liability and deferred outflow of resources for contributions subsequent to the measurement date as of July 1, 2016. The effects of adopting Statement 75 are reported as a restated beginning net position as of July 1, 2017 due to a change in accounting principle. The following funds and component units had an effect on the beginning net position due to this change as follows (in thousands):

	Net Position Beginning Balance	GASB 75 Adjustment	Net Position Restated
Government-Wide			
Governmental Activities	\$ 69,419,333	\$ (743,836)	\$ 68,675,497
Governmental Funds		(736,090)	
Internal Service Funds			
Alaska Public Building Fund	149,469	(245)	149,224
Information Services Fund	55,815	(3,279)	52,536
Highway Equipment Working Capital Fund	201,774	(4,221)	197,553
Business Type Activities	2,594,192	(13,667)	2,580,525
International Airports Fund	895,768	(13,034)	882,734
Agriculture Revolving Loan Fund	20,243	(28)	20,215
Commercial Fishing Revolving Loan Fund	114,004	(505)	113,499
Fisheries Enhancement Loan Fund	101,534	(72)	101,462
Alaska Capstone Avionics Revolving Loan Fund	5,182	(16)	5,166
Commercial Charter Fisheries Revolving Loan Fund	5,064	(2)	5,062
Mariculture Revolving Loan Fund	5,082	(2)	5,080
Alaska Microloan Revolving Loan Fund	2,570	(1)	2,569
Bulk Fuel Loan Fund	24,516	(7)	24,509
Component Units	7,500,648	(60,734)	7,439,914
Alaska Aerospace Development Corporation	87,713	(771)	86,942
Alaska Gasline Development Corporation	82,516	(1,309)	81,207
Alaska Housing Finance Corporation	1,513,628	(8,393)	1,505,235
Alaska Industrial Development and Export Authority	1,317,607	(2,369)	1,315,238
Alaska Mental Health Trust Authority	639,775	(1,299)	638,476
Alaska Seafood Marketing Institute	16,069	(292)	15,777
University of Alaska	1,788,034	(46,301)	1,741,733



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Required Supplementary Information



STATE OF ALASKA
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2018
(Stated in Thousands)

STATEMENT 2.01

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	\$ 1,108,903	\$ 1,108,803	\$ 1,155,101	\$ (46,298)
Licenses and Permits	109,762	108,726	127,311	(18,585)
Charges for Services	257,622	252,441	173,193	79,248
Fines and Forfeitures	17,053	17,053	18,934	(1,881)
Rents and Royalties	736,769	734,759	1,040,369	(305,610)
Premiums and Contributions	1,902	1,554	(901)	2,455
Interest and Investment Income	90,762	88,240	145,736	(57,496)
Payments In from Component Units	140,563	139,926	60	139,866
Other Revenues	74,422	68,569	77,609	(9,040)
Restricted:				
Federal Grants in Aid	9,330,814	9,475,783	2,997,727	6,478,056
Interagency	607,659	705,888	505,508	200,380
Payments In from Component Units	24,072	25,672	12,704	12,968
Other Revenues	2	815	11,177	(10,362)
Total Revenues	<u>12,500,305</u>	<u>12,728,229</u>	<u>6,264,528</u>	<u>6,463,701</u>
EXPENDITURES				
Current:				
General Government	522,021	480,200	509,970	(29,770)
Alaska Permanent Fund Dividend	843,890	848,890	698,016	150,874
Education	2,150,586	2,156,912	1,986,339	170,573
University	592,679	606,767	380,284	226,483
Health and Human Services	2,946,229	4,120,243	3,103,462	1,016,781
Law and Justice	302,909	333,783	273,968	59,815
Public Protection	1,178,071	1,160,907	851,220	309,687
Natural Resources	569,519	578,037	338,005	240,032
Development	654,736	635,861	291,778	344,083
Transportation	7,684,068	6,960,504	1,666,694	5,293,810
Intergovernmental Revenue Sharing	105,735	113,735	111,486	2,249
Debt Service:				
Principal	22,773	22,772	22,723	49
Interest and Other Charges	14,415	14,415	14,415	—
Total Expenditures	<u>17,587,631</u>	<u>18,033,026</u>	<u>10,248,360</u>	<u>7,784,666</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,087,326)</u>	<u>(5,304,797)</u>	<u>(3,983,832)</u>	<u>(1,320,965)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	3,132,824	3,132,764	4,302,973	(1,170,209)
Transfers (Out to) Other Funds	(1,245,028)	(1,245,028)	(3,628,794)	2,383,766
Total Other Financing Sources and Uses	<u>1,887,796</u>	<u>1,887,736</u>	<u>674,179</u>	<u>1,213,557</u>
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, Budgetary Basis	<u>\$ (3,199,530)</u>	<u>\$ (3,417,061)</u>	<u>(3,309,653)</u>	<u>\$ (107,408)</u>
RECONCILIATION OF BUDGETARY / GAAP REPORTING:				
Adjust Expenditures for Encumbrances			872,148	
Basis Difference			129,150	
Excess (Deficiency) of Revenues, Expenditures, Other Financing Sources, Special and Extraordinary Items, GAAP Basis			(2,308,355)	
Fund Balances - Beginning of Year			6,290,610	
Fund Balances - End of Year			<u>\$ 3,982,255</u>	

**Note to Required Supplementary Information - Budgetary Reporting
For the Fiscal Year Ended June 30, 2018**

The Budgetary Comparison Schedule - General Fund presents comparisons of the original and final adopted budget with actual data on a budgetary basis. The State issues a separate legal basis budgetary report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the State of Alaska, Department of Administration, Division of Finance, P.O. Box 110204, Juneau, AK 99811-0204, or may be viewed online at <http://doa.alaska.gov/dof/reports/cafr.html>.

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

The types of differences are as follows:

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

Petroleum Severance Taxes and Royalties	\$	213,430
Medical Assistance Program		(85,265)
Tobacco Tax		(1,095)
Alcohol Tax		(116)
Tire Tax		(23)
Vehicle Rental Tax		150
Commercial Passenger Vessel Excise Tax		791
Marijuana Tax		1,278
Total General Fund Basis Difference	\$	129,150

STATE OF ALASKA

STATEMENT 2.10

Proportionate Share of the Net Pension Liability Schedule

Public Employees' Retirement System - Pension

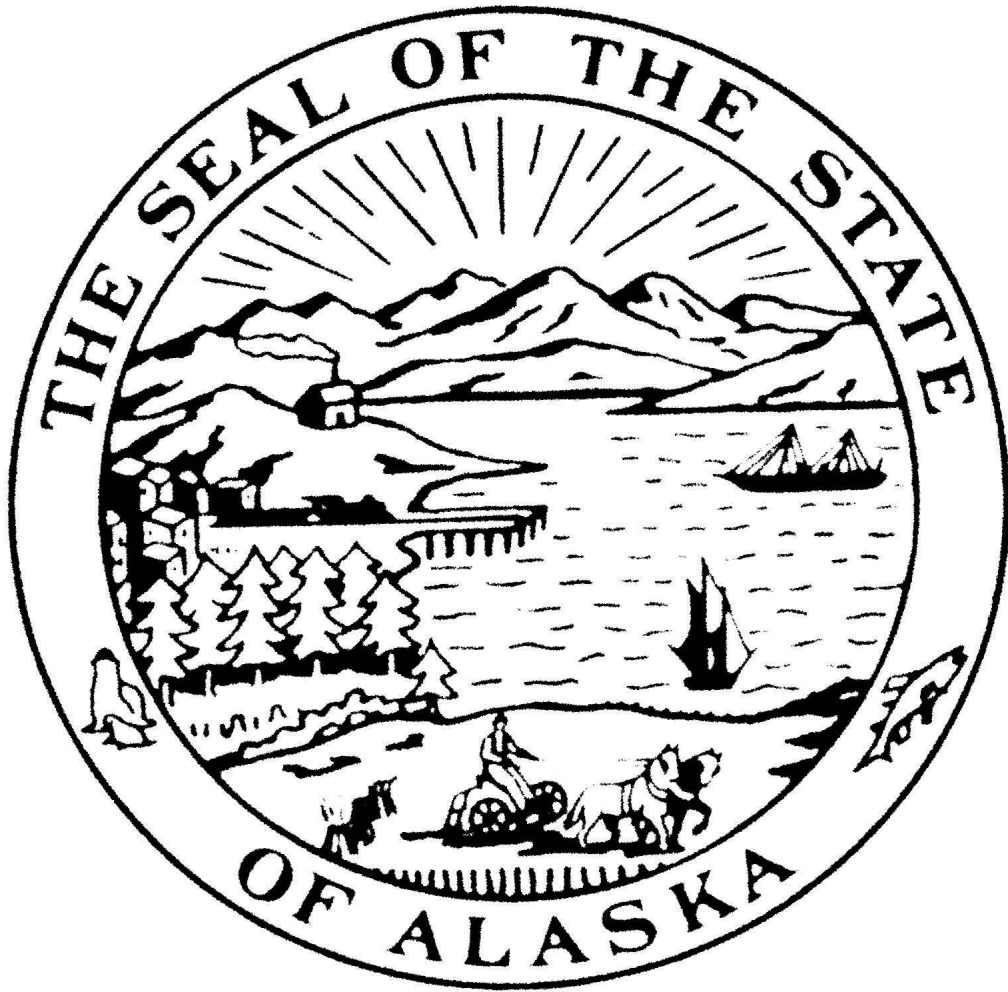
Last Ten Fiscal Years

As of Measurement Date

(Stated in Thousands)

	2018	2017	2016	2015	2014
Primary government's proportion of the net pension liability	50.62%	51.87%	50.75%	52.23%	51.60%
Component unit's proportion of the net pension liability	4.74%	5.79%	5.52%	4.44%	4.43%
Nonemployer contributing state's proportion of the net pension liability	13.40%	5.38%	10.40%	21.86%	22.87%
Primary government's proportionate share of the net pension liability	\$2,616,648	\$2,899,139	\$2,461,215	\$2,436,220	\$2,709,520
Component unit's proportionate share of the net pension liability	\$ 244,871	\$ 323,541	\$ 267,632	\$ 207,090	\$ 232,515
Nonemployer contributing state's share of the net pension liability	\$ 692,476	\$ 300,921	\$ 504,300	\$1,019,583	\$1,201,055
Primary government's covered payroll (restated)	\$1,092,504	\$1,090,607	\$1,148,502	\$1,136,811	\$1,094,801
Component unit's covered payroll (restated)	\$ 128,050	\$ 140,886	\$ 150,562	\$ 143,205	\$ 145,495
Primary government's proportionate share of the net pension liability as a percentage of its covered payroll (restated)	239.51%	265.83%	214.30%	214.30%	247.49%
Component unit's proportionate share of the net pension liability as a percentage of its covered payroll (restated)	191.23%	229.65%	177.76%	144.61%	159.81%
Plan fiduciary net position as a percentage of the total pension liability	63.37%	59.55%	63.96%	62.37%	56.04%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.



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STATE OF ALASKA
Employer Contributions Schedule
Public Employees' Retirement System - Pension
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.11

	2018	2017	2016	2015	2014
Primary Government					
Statutorily required contribution	\$ 181,720	\$ 170,247	\$ 164,533	\$ 285,769	\$ 200,076
Contributions in relation to the statutorily required contribution	183,334	179,742	164,533	636,865	200,076
Contribution deficiency (excess)	<u>\$ (1,614)</u>	<u>\$ (9,495)</u>	<u>\$ —</u>	<u>\$ (351,096)</u>	<u>\$ —</u>
Covered payroll (restated)	\$1,093,885	\$ 1,092,504	\$ 1,090,607	\$ 1,148,502	\$ 1,136,811
Contributions as a percentage of covered payroll (restated)	16.76%	16.45%	15.09%	55.45%	17.60%
Component Units					
Statutorily required contribution	\$ 20,590	\$ 19,693	\$ 17,969	\$ 18,561	\$ 17,313
Contributions in relation to the statutorily required contribution	20,590	19,693	17,969	18,561	17,313
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll (restated)	\$ 119,018	\$ 128,050	\$ 140,886	\$ 150,562	\$ 143,205
Contributions as a percentage of covered payroll (restated)	17.30%	15.38%	12.75%	12.33%	12.09%
Primary Government Nonemployer Contribution					
Statutorily required contribution	\$ 36,399	\$ 40,360	\$ 43,535	\$ 153,622	\$ 82,554
Contributions in relation to the statutorily required contribution	36,770	50,027	43,535	479,750	82,554
Contribution deficiency (excess)	<u>\$ (371)</u>	<u>\$ (9,667)</u>	<u>\$ —</u>	<u>\$ (326,128)</u>	<u>\$ —</u>

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

In FY 15 the legislature appropriated \$1.0 billion to the Public Employee's Retirement System's retirement funds from the Constitutional Budget Reserve Fund to help with the net pension liability.

Employer Contributions Schedule

Public Employees' Retirement System - Pension

Last Ten Fiscal Years

(Stated in Thousands)

	<u>2013</u>
Primary Government	
Statutorily required contribution	\$ 177,375
Contributions in relation to the statutorily required contribution	177,375
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll (restated)	\$1,094,801
Contributions as a percentage of covered payroll (restated)	16.20%
Component Units	
Statutorily required contribution	\$ 15,819
Contributions in relation to the statutorily required contribution	15,819
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll (restated)	\$ 145,495
Contributions as a percentage of covered payroll (restated)	10.87%
Primary Government Nonemployer Contribution	
Statutorily required contribution	\$ 77,689
Contributions in relation to the statutorily required contribution	77,689
Contribution deficiency (excess)	<u>\$ —</u>

Proportionate Share of the Net OPEB Liability Schedule

Public Employees' Retirement System - Alaska Retiree Healthcare Trust Plan

Last Ten Fiscal Years

As of Measurement Date

(Stated in Thousands)

	<u>2018</u>
Primary government's proportion of the net pension liability	50.64%
Component unit's proportion of the net pension liability	4.74%
Nonemployer contributing state's proportion of the net pension liability	13.41%
Primary government's proportionate share of the net pension liability	\$ 427,754
Component unit's proportionate share of the net pension liability	\$ 39,552
Nonemployer contributing state's share of the net pension liability	\$ 113,255
Primary government's covered payroll	\$ 1,092,504
Component unit's covered payroll	\$ 128,050
Primary government's proportionate share of the net pension liability as a percentage of its covered payroll	39.15%
Component unit's proportionate share of the net pension liability as a percentage of its covered payroll	30.89%
Plan fiduciary net position as a percentage of the total pension liability	89.7%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Public Employees' Retirement System - Alaska Retiree Healthcare Trust Plan

Last Ten Fiscal Years

(Stated in Thousands)

	<u>2018</u>
Primary Government	
Statutorily required contribution	\$ 44,192
Contributions in relation to the statutorily required contribution	41,929
Contribution deficiency (excess)	<u>\$ 2,263</u>
Covered payroll	\$1,093,885
Contributions as a percentage of covered payroll	3.83%
Component Units	
Statutorily required contribution	\$ 6,060
Contributions in relation to the statutorily required contribution	6,060
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 119,018
Contributions as a percentage of covered payroll	5.09%
Primary Government Nonemployer Contribution	
Statutorily required contribution	\$ 2,316
Contributions in relation to the statutorily required contribution	—
Contribution deficiency (excess)	<u>\$ 2,316</u>

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

Proportionate Share of the Collective Net OPEB Liability Schedule
Public Employees' Retirement System - Occupational Death & Disability Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	<u>2018</u>
Primary government's proportion of the collective net OPEB liability	49.14%
Component unit's proportion of the collective net OPEB liability	4.03%
Primary government's proportionate share of the collective net OPEB liability (asset)	\$ (6,972)
Component unit's proportionate share of the collective net OPEB liability (asset)	\$ (103)
Primary government's covered payroll	\$ 508,805
Component unit's covered payroll	\$ 65,874
Primary government's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	1.37%
Component unit's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.16%
Plan fiduciary net position as a percentage of the total OPEB liability	—%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Public Employees' Retirement System - Occupational Death & Disability Plan

Last Ten Fiscal Years

(Stated in Thousands)

	2018
Primary Government	
Statutorily required contribution	\$ 1,088
Contributions in relation to the statutorily required contribution	1,088
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 547,669
Contributions as a percentage of covered payroll	0.20%
Component Units	
Statutorily required contribution	\$ 85
Contributions in relation to the statutorily required contribution	85
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 65,276
Contributions as a percentage of covered payroll	0.13%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

Proportionate Share of the Collective Net OPEB Liability Schedule
Public Employees' Retirement System - Retiree Medical Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	<u>2018</u>
Primary government's proportion of the collective net OPEB liability	49.14%
Component unit's proportion of the collective net OPEB liability	4.03%
Primary government's proportionate share of the collective net OPEB liability	\$ 2,563
Component unit's proportionate share of the collective net OPEB liability	\$ 210
Primary government's covered payroll	\$ 508,805
Component unit's covered payroll	\$ 65,874
Primary government's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.50%
Component unit's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.32%
Plan fiduciary net position as a percentage of the total OPEB liability	94.0%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Public Employees' Retirement System - Retiree Medical Plan

Last Ten Fiscal Years

(Stated in Thousands)

	<u>2018</u>
Primary Government	
Statutorily required contribution	\$ 5,641
Contributions in relation to the statutorily required contribution	5,641
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 547,669
Contributions as a percentage of covered payroll	1.03%
Component Units	
Statutorily required contribution	\$ 532
Contributions in relation to the statutorily required contribution	532
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 65,276
Contributions as a percentage of covered payroll	0.82%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

STATE OF ALASKA

STATEMENT 2.20

Proportionate Share of the Net Pension Liability Schedule

Teachers' Retirement System - Pension

Last Ten Fiscal Years

As of Measurement Date

(Stated in Thousands)

	2018	2017	2016	2015	2014
Primary government's proportion of the net pension liability	0.67%	0.75%	0.78%	0.79%	0.78%
Component unit's proportion of the net pension liability	1.61%	2.14%	2.03%	0.97%	1.02%
Nonemployer contributing state's proportion of the net pension liability	63.14%	53.90%	61.03%	84.10%	83.41%
Primary government's proportionate share of the net pension liability	\$ 13,601	\$ 17,047	\$ 14,501	\$ 23,739	\$ 25,930
Component unit's proportionate share of the net pension liability	\$ 32,661	\$ 48,846	\$ 37,680	\$ 29,024	\$ 33,771
Nonemployer contributing state's share of the net pension liability	\$ 1,279,682	\$ 1,230,776	\$ 1,135,514	\$ 2,522,174	\$ 2,761,123
Primary government's covered payroll (restated)	\$ 4,853	\$ 5,388	\$ 5,620	\$ 5,920	\$ 5,834
Component unit's covered payroll	\$ 22,128	\$ 25,212	\$ 31,575	\$ 34,497	\$ 36,150
Primary government's proportionate share of the net pension liability as a percentage of its covered payroll (restated)	280.26%	316.39%	258.02%	401.00%	444.46%
Component unit's proportionate share of the net pension liability as a percentage of its covered payroll	147.60%	193.74%	119.33%	84.13%	93.42%
Plan fiduciary net position as a percentage of the total pension liability	72.4%	68.4%	73.82%	55.7%	49.76%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.



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STATE OF ALASKA
Employer Contributions Schedule
Teachers' Retirement System - Pension
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.21

	2018	2017	2016	2015	2014
Primary Government					
Statutorily required contribution	\$ 989	\$ 872	\$ 925	\$ 2,644	\$ 1,951
Contributions in relation to the statutorily required contribution	1,004	1,003	925	12,500	1,951
Contribution deficiency (excess)	<u>\$ (15)</u>	<u>\$ (131)</u>	<u>\$ —</u>	<u>\$ (9,856)</u>	<u>\$ —</u>
Covered payroll (restated)	\$ 4,768	\$ 4,853	\$ 5,388	\$ 5,620	\$ 5,920
Contributions as a percentage of covered payroll (restated)	21.06%	20.67%	17.17%	222.42%	32.96%
Component Units					
Statutorily required contribution	\$ 1,859	\$ 2,003	\$ 1,973	\$ 2,314	\$ 2,385
Contributions in relation to the statutorily required contribution	1,859	2,003	1,973	2,314	2,385
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 22,128	\$ 25,212	\$ 27,848	\$ 31,575	\$ 34,497
Contributions as a percentage of covered payroll	8.40%	7.94%	7.08%	7.33%	6.91%
Primary Government Nonemployer Contribution					
Statutorily required contribution	\$ 105,888	\$ 94,775	\$ 89,957	\$ 315,279	\$ 207,271
Contributions in relation to the statutorily required contribution	111,042	115,980	89,957	1,650,517	207,271
Contribution deficiency (excess)	<u>\$ (5,154)</u>	<u>\$ (21,205)</u>	<u>\$ —</u>	<u>\$ (1,335,238)</u>	<u>\$ —</u>

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

In FY 15 the legislature appropriated \$2.0 billion to the Teacher's Retirement System's retirement funds from the Constitutional Budget Reserve Fund to help with the net pension liability.

**Employer Contributions Schedule
Teachers' Retirement System - Pension
Last Ten Fiscal Years
(Stated in Thousands)**

	<u>2013</u>
Primary Government	
Statutorily required contribution	\$ 1,836
Contributions in relation to the statutorily required contribution	1,836
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll (restated)	\$ 5,834
Contributions as a percentage of covered payroll (restated)	31.47%
Component Units	
Statutorily required contribution	\$ 2,390
Contributions in relation to the statutorily required contribution	2,390
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 36,150
Contributions as a percentage of covered payroll	6.61%
Primary Government Nonemployer Contribution	
Statutorily required contribution	\$ 195,435
Contributions in relation to the statutorily required contribution	195,435
Contribution deficiency (excess)	<u>\$ —</u>

**Proportionate Share of the Collective Net OPEB Liability Schedule
Teachers' Retirement System - Alaska Retiree Healthcare Trust Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)**

	2018
Primary government's proportion of the collective net OPEB liability	0.67%
Component unit's proportion of the collective net OPEB liability	1.61%
Nonemployer contributing state's proportion of the collective net OPEB liability	63.26%
Primary government's proportionate share of the collective net OPEB liability	\$ 1,234
Component unit's proportionate share of the collective net OPEB liability	\$ 2,955
Nonemployer contributing state's share of the collective net OPEB liability	\$ 116,351
Primary government's covered payroll	\$ 4,853
Component unit's covered payroll	\$ 22,128
Primary government's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	25.43%
Component unit's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	13.35%
Plan fiduciary net position as a percentage of the total OPEB liability	93.8%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Teachers' Retirement System - Alaska Retiree Healthcare Trust Plan

Last Ten Fiscal Years

(Stated in Thousands)

	<u>2018</u>
Primary Government	
Statutorily required contribution	\$ 186
Contributions in relation to the statutorily required contribution	153
Contribution deficiency (excess)	<u>\$ 33</u>
Covered payroll	\$ 4,768
Contributions as a percentage of covered payroll	3.21%
Component Units	
Statutorily required contribution	\$ 921
Contributions in relation to the statutorily required contribution	921
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 22,128
Contributions as a percentage of covered payroll	4.16%
Primary Government Nonemployer Contribution	
Statutorily required contribution	\$ 5,154
Contributions in relation to the statutorily required contribution	—
Contribution deficiency (excess)	<u>\$ 5,154</u>

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

**Proportionate Share of the Collective Net OPEB Liability Schedule
Teachers' Retirement System - Occupational Death & Disability Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)**

	<u>2018</u>
Primary government's proportion of the collective net OPEB liability	0.36%
Component unit's proportion of the collective net OPEB liability	2.30%
Primary government's proportionate share of the collective net OPEB liability (asset)	\$ (12)
Component unit's proportionate share of the collective net OPEB liability (asset)	\$ (75)
Primary government's covered payroll	\$ 1,246
Component unit's covered payroll	\$ 8,200
Primary government's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.96%
Component unit's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.91%
Plan fiduciary net position as a percentage of the total OPEB liability	—%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Teachers' Retirement System - Occupational Death & Disability Plan

Last Ten Fiscal Years

(Stated in Thousands)

	2018
Primary Government	
Statutorily required contribution	\$ —
Contributions in relation to the statutorily required contribution	—
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 1,328
Contributions as a percentage of covered payroll	—%
Component Units	
Statutorily required contribution	\$ —
Contributions in relation to the statutorily required contribution	—
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 8,200
Contributions as a percentage of covered payroll	—%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

Proportionate Share of the Collective Net OPEB Liability Schedule
Teachers' Retirement System - Retiree Medical Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	<u>2018</u>
Primary government's proportion of the collective net OPEB liability	0.36%
Component unit's proportion of the collective net OPEB liability	2.30%
Primary government's proportionate share of the collective net OPEB liability (asset)	\$ (17)
Component unit's proportionate share of the collective net OPEB liability (asset)	\$ (109)
Primary government's covered payroll	\$ 1,246
Component unit's covered payroll	\$ 8,200
Primary government's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	1.36%
Component unit's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	1.33%
Plan fiduciary net position as a percentage of the total OPEB liability	—%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

STATE OF ALASKA
Employer Contributions Schedule
Teachers' Retirement System - Retiree Medical Plan
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.27

	<u>2018</u>
Primary Government	
Statutorily required contribution	\$ 13
Contributions in relation to the statutorily required contribution	13
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 1,328
Contributions as a percentage of covered payroll	0.98%
Component Units	
Statutorily required contribution	\$ 75
Contributions in relation to the statutorily required contribution	75
Contribution deficiency (excess)	<u>\$ —</u>
Covered payroll	\$ 8,200
Contributions as a percentage of covered payroll	0.91%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

Changes in the Net Pension Liability and Related Ratios Schedule
Judicial Retirement System - Pension
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 6,227	\$ 6,025	\$ 5,814	\$ 5,186
Interest	16,449	16,417	15,564	15,320
Differences between expected and actual experience	—	(10,791)	—	(3,741)
Changes of assumptions	—	—	—	1,407
Benefit payments, including refunds of employee contributions	(11,589)	(11,228)	(10,684)	(10,578)
Net change in total pension liability	11,087	423	10,694	7,594
Total pension liability - beginning	205,548	205,125	194,431	186,837
Total pension liability - ending (a)	216,635	205,548	205,125	194,431
Plan fiduciary net position				
Contributions - employer	11,086	11,710	10,222	8,862
Contributions - employee	886	802	811	780
Net investment income	18,910	(567)	4,349	21,845
Other income	—	2	—	—
Benefit payments, including refunds of employee contributions	(11,589)	(11,228)	(10,684)	(10,578)
Administrative expenses	(79)	(60)	(86)	(66)
Net change in plan fiduciary net position	19,214	659	4,612	20,843
Plan fiduciary net position - beginning	144,819	144,160	139,548	118,705
Plan fiduciary net position - ending (b)	164,033	144,819	144,160	139,548
State's net pension liability - ending (a) - (b)	\$ 52,602	\$ 60,729	\$ 60,965	\$ 54,883
Plan fiduciary net position as a percentage of the total pension liability	75.72%	70.46%	70.28%	71.77%
Covered payroll	\$ 14,089	\$ 13,597	\$ 13,507	\$ 13,731
State's net pension liability as a percentage of covered payroll	373.36%	446.64%	451.36%	399.70%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.



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Employer Contributions Schedule
Judicial Retirement System - Pension
Last Ten Fiscal Years
(Stated in Thousands)

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 10,632	\$ 10,471	\$ 11,183	\$ 10,329	\$ 9,156
Contributions in relation to the actuarially determined contribution	10,286	11,086	11,710	10,222	8,862
Contribution deficiency (excess)	<u>\$ 346</u>	<u>\$ (615)</u>	<u>\$ (527)</u>	<u>\$ 107</u>	<u>\$ 294</u>
Covered payroll	\$ 14,599	\$ 14,089	\$ 13,996	\$ 13,507	\$ 13,731
Contributions as a percentage of covered payroll	70.46%	78.69%	83.67%	75.68%	64.54%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

From the June 30, 2013 to the June 30, 2014 actuarial valuation Pre-termination mortality has changed from 45% of the male rates and 55% of the females rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA to 68% of the male rates and 60% of the female rates of the post-termination mortality rates. Post-termination mortality has changed from 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA, with a 3-year setback for males and with a 1-year setback for females to 94% of the male rates and 97% of the female rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB, with a 3-year setback for males and 4-year setback for females. Salary Scale has changed from 4.12% per year, compounded annually to 3.62% per year, compounded annually. Retirement has changed from 3% if vested and age is less than 59 and 10% if vested and age is greater than 59, and 100% at age 70 to retirement rates based on 2010-2013 experience and terminated vested members are expected to commence benefits at age 60. Disability Mortality has changed from RP-2000 Disabled Retiree Mortality Table to RP-2000 Disabled Retiree Table, 2000 Base Year projected to 2018 with Projection Scale BB.

STATE OF ALASKA
Employer Contributions Schedule
Judicial Retirement System - Pension
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.31

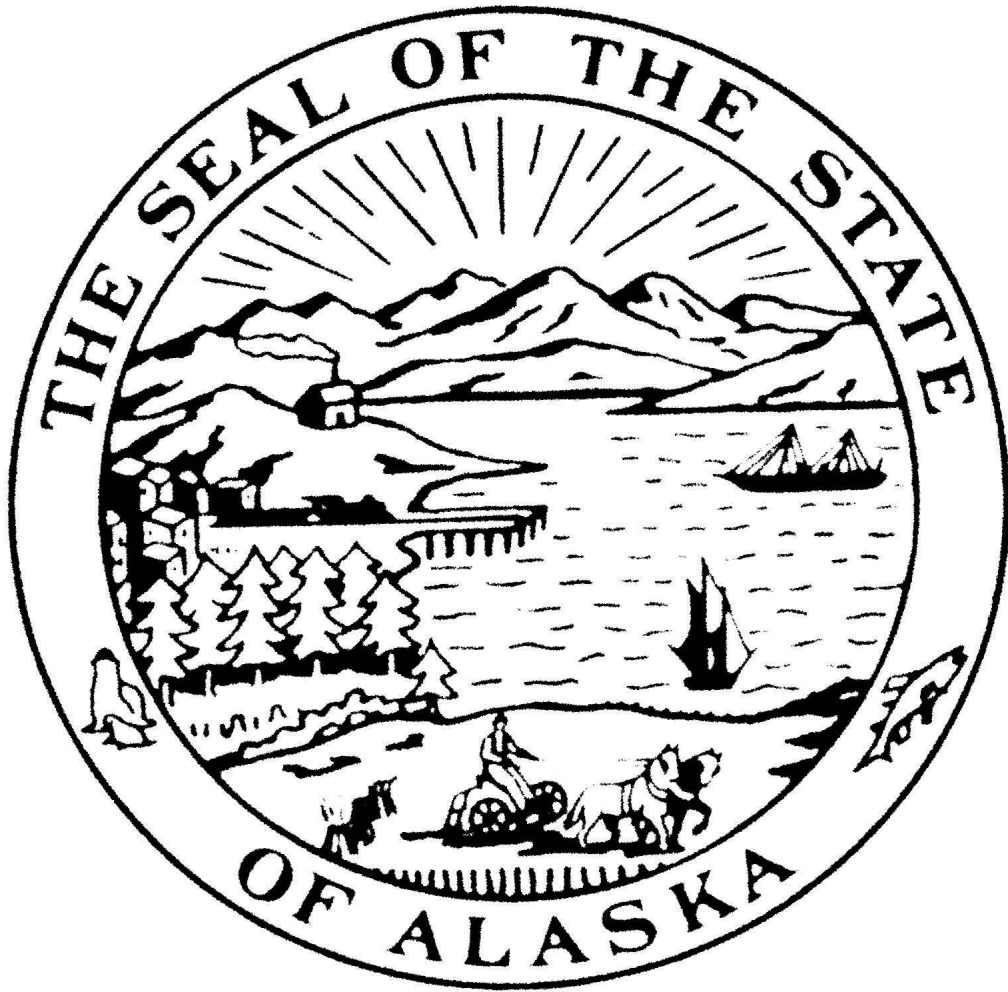
	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 8,367	\$ 5,052
Contributions in relation to the actuarially determined contribution	8,094	5,419
Contribution deficiency (excess)	<u>\$ 273</u>	<u>\$ (367)</u>
Covered payroll	\$ 13,289	\$ 11,803
Contributions as a percentage of covered payroll	60.91%	45.91%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Changes in the Net OPEB Liability and Related Ratios Schedule
Judicial Retirement System - Alaska Retiree Healthcare Trust Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 734
Interest	1,318
Differences between expected and actual experience	83
Retiree Drug Subsidy	64
Pharmacy Rebates	62
Benefit payments, including refunds of employee contributions	<u>(1,031)</u>
Net change in total OPEB liability	1,230
Total OPEB liability - beginning	<u>16,246</u>
Total OPEB liability - ending (a)	<u>17,476</u>
 Plan fiduciary net position	
Contributions - employer	628
Net investment income	3,470
Other income	127
Benefit payments, including refunds of employee contributions	(1,031)
Administrative expenses	<u>(51)</u>
Net change in plan fiduciary net position	3,143
Plan fiduciary net position - beginning	<u>26,848</u>
Plan fiduciary net position - ending (b)	<u>29,991</u>
State's net OPEB liability - ending (a) - (b)	<u><u>\$ (12,515)</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability	171.61 %
 Covered payroll	\$ 14,089
State's net OPEB liability as a percentage of covered payroll	(88.83)%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.



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Employer Contributions Schedule

Judicial Retirement System - Alaska Retiree Healthcare Trust Plan

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 632	\$ 631	\$ 501	\$ 313	\$ 1,094
Contributions in relation to the actuarially determined contribution	594	628	508	520	882
Contribution deficiency (excess)	<u>\$ 38</u>	<u>\$ 3</u>	<u>\$ (7)</u>	<u>\$ (207)</u>	<u>\$ 212</u>
Covered payroll	\$ 14,599	\$ 14,089	\$ 13,996	\$ 13,507	\$ 13,731
Contributions as a percentage of covered payroll	4.07%	4.46%	3.63%	3.85%	6.42%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Judicial Retirement System - Alaska Retiree Healthcare Trust Plan

Last Ten Fiscal Years

(Stated in Thousands)

	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 723	\$ 1,433
Contributions in relation to the actuarially determined contribution	834	599
Contribution deficiency (excess)	<u>\$ (111)</u>	<u>\$ 834</u>
Covered payroll	\$ 13,289	\$ 11,803
Contributions as a percentage of covered payroll	6.28%	5.07%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Changes in the Net Pension Liability and Related Ratios Schedule
Alaska National Guard and Alaska Naval Militia Retirement System
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 611	\$ 603	\$ 604	\$ 632
Interest	2,170	2,660	2,554	2,363
Differences between expected and actual experience	—	(8,659)	—	241
Changes of assumptions	—	—	—	27
Benefit payments, including refunds of employee contributions	(1,485)	(1,729)	(1,564)	(1,611)
Net change in total pension liability	1,296	(7,125)	1,594	1,652
Total pension liability - beginning	31,184	38,309	36,715	35,063
Total pension liability - ending (a)	32,480	31,184	38,309	36,715
Plan fiduciary net position				
Contributions - employer	866	735	628	740
Net investment income	3,182	182	590	4,528
Benefit payments, including refunds of employee contributions	(1,485)	(1,729)	(1,564)	(1,611)
Administrative expenses	(257)	(242)	(241)	(223)
Net change in plan fiduciary net position	2,306	(1,054)	(587)	3,434
Plan fiduciary net position - beginning	35,826	36,880	37,467	34,033
Plan fiduciary net position - ending (b)	38,132	35,826	36,880	37,467
State's net pension liability - ending (a) - (b)	\$ (5,652)	\$ (4,642)	\$ 1,429	\$ (752)
Plan fiduciary net position as a percentage of the total pension liability	117.40%	114.89%	96.27%	102.05%
Covered payroll	N/A	N/A	N/A	N/A
State's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.



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Employer Contributions Schedule

Alaska National Guard and Alaska Naval Militia Retirement System

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 907	\$ 867	\$ 735	\$ 627	\$ 475
Contributions in relation to the actuarially determined contribution	907	867	735	627	740
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ (265)
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

This statement continued on next page.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

Changes in assumptions have occurred over the ten year period presented.

From the June 30, 2008 to the June 30, 2010 actuarial valuation investment return has changed from 7.25% per year, compounded annually, net of expenses to 7.00% per year, compounded annually, net of expenses. Pretermination mortality has changed from 1994 Group Annuity Mortality (GAM) Table, 1994 Year without margin to 80% of the male rate and 60% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA. Post-termination mortality has changed from 1994 GAM Table, 1994 Base Year without margin to 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA for males and with a 1-year set-forward for females. Total inflation has changed from 3.5% annually to 3.12% annually. Turnover has changed from unisex; 2-year select period; ultimate follows T-3 Table from Pension Actuary's Handbook to unisex; 5-year select period; increase all ultimate rates by 50%. Retirement age has changed from members are assumed to retire after 20 years of eligibility service, unless they complete 20 years before age 55, then it is assumed that they will work one-half of the remaining years to age 55 to members are assumed to begin retiring at the earliest eligible retirement age in accordance with the table of retirement rates. Disability mortality has changed from table ranging from 5.10% for males and 4.26% for females at age 20 to 8.13% for males and 4.73% for females at age 64 to RP-2000 Disabled Retiree Mortality Table. Disability rate has changed from disability rates under Group Long Term Disability policies, as given in the 1978 Society of Actuaries Study to incidence rates based upon the 2005-2009 actual experience of the State of Alaska Public Employees' Retirement System Peace Officer/Firefighter Plan.

From the June 30, 2010 to the June 30, 2012 actuarial valuation are no changes in actuarial assumptions from the prior valuations.

From the June 30, 2012 to the June 30, 2014 actuarial valuation Pre-termination mortality has changed from 80% of the male rates and 60% of the females rates of the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA to 60% of the male rates and 65% of the female rates of the post-termination mortality rates. Post-termination mortality has changed from 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA for males and with a 1-year set-forward for females to 96% of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB. Retirement has changed from 5% if vested and age is less than 51 and increasing linearly until 100% at age 65 to retirement rates based on 2010-2013 experience and terminated vested members are expected to commence benefits at age 50. Disability Mortality has changed from RP-2000 Disabled Retiree Mortality Table to RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.

STATE OF ALASKA

STATEMENT 2.41

Employer Contributions Schedule

Alaska National Guard and Alaska Naval Militia Retirement System

Last Ten Fiscal Years

(Stated in Thousands)

	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 431	\$ 896	\$ 965	\$ 2,415	\$ 2,473
Contributions in relation to the actuarially determined contribution	739	896	965	2,603	2,473
Contribution deficiency (excess)	<u>\$ (308)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (188)</u>	<u>\$ —</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Changes in the Net Pension Liability and Related Ratios Schedule
Alaska Railroad Corporation Defined Benefits Pension Plan
Last Ten Fiscal Years
As of Measurement Date
(Stated in Thousands)

	2018	2017	2016
Total pension liability			
Service cost	\$ 5,777	\$ 5,853	\$ 5,834
Interest	14,230	13,244	11,832
Changes of benefits terms	154	—	—
Differences between expected and actual experience	(482)	6,368	—
Changes of assumptions	272	—	—
Benefit payments, including refunds of employee contributions	(6,197)	(5,541)	(4,920)
Net change in total pension liability	13,754	19,924	12,746
Total pension liability - beginning	187,054	167,130	154,384
Total pension liability - ending (a)	200,808	187,054	167,130
Plan fiduciary net position			
Contributions - employer	4,051	4,163	3,571
Contributions - employee	4,302	4,383	4,290
Net investment income	22,088	11,774	(199)
Benefit payments, including refunds of employee contributions	(6,197)	(5,541)	(4,920)
Administrative expenses	(409)	(593)	(550)
Net change in plan fiduciary net position	23,835	14,186	2,192
Plan fiduciary net position - beginning	161,588	147,402	145,210
Plan fiduciary net position - ending (b)	185,423	161,588	147,402
State's net pension liability - ending (a) - (b)	<u>\$ 15,385</u>	<u>\$ 25,466</u>	<u>\$ 19,728</u>
Plan fiduciary net position as a percentage of the total pension liability	92.34%	86.39%	88.20%
Covered payroll	\$ 47,804	\$ 48,705	\$ 47,660
State's net pension liability as a percentage of covered payroll	32.18%	52.29%	41.39%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

STATE OF ALASKA
Employer Contributions Schedule
Alaska Railroad Corporation Defined Benefits Pension Plan
Last Ten Fiscal Years
(Stated in Thousands)

STATEMENT 2.51

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 4,051	\$ 4,163	\$ 3,571
Contributions in relation to the actuarially determined contribution	4,051	4,163	3,571
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	47,804	48,705	47,660
Contributions as a percentage of covered payroll	8.47%	8.55%	7.49%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

There are no changes in assumptions used between the valuation data presented above.

STATE OF ALASKA

STATEMENT 2.52

Changes in the Net OPEB Liability and Related Ratios Schedule

Alaska Railroad Corporation Defined Benefits Postretirement Medical Plan

Last Ten Fiscal Years

As of Measurement Date

(Stated in Thousands)

	2018	2017	2016
Total OPEB liability			
Service cost	\$ 700	\$ 699	\$ 633
Interest	1,095	985	1,021
Changes of benefits terms	526	—	—
Differences between expected and actual experience	(165)	(1,832)	—
Changes of assumptions	—	1,442	—
Benefit payments, including refunds of employee contributions	(331)	(506)	(193)
Net change in total OPEB liability	1,825	788	1,461
Total OPEB liability - beginning	15,327	14,539	13,078
Total OPEB liability - ending (a)	17,152	15,327	14,539
Plan fiduciary net position			
Contributions - employer	—	—	—
Net investment income	4,295	2,670	(384)
Benefit payments, including refunds of employee contributions	(331)	(506)	(193)
Administrative expenses	(77)	(66)	(48)
Net change in plan fiduciary net position	3,887	2,098	(625)
Plan fiduciary net position - beginning	42,740	40,642	41,267
Plan fiduciary net position - ending (b)	46,627	42,740	40,642
State's net OPEB liability - ending (a) - (b)	<u>\$ (29,475)</u>	<u>\$ (27,413)</u>	<u>\$ (26,103)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	271.85 %	278.85 %	279.54 %
Covered payroll	\$ 35,292	\$ 46,941	\$ 47,660
State's net OPEB liability as a percentage of covered payroll	(83.52)%	(58.40)%	(54.77)%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Employer Contributions Schedule

Alaska Railroad Corporation Defined Benefits Postretirement Medical Plan

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016
Actuarially determined contribution	\$ —	\$ —	\$ —
Contributions in relation to the actuarially determined contribution	—	—	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	35,292	46,941	47,660
Contributions as a percentage of covered payroll	—%	—%	—%

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

Notes to required schedule

Significant methods and assumptions used in calculating the actuarially determined contribution are presented in Note 6.

There are no changes in benefit terms between the valuation data presented above.

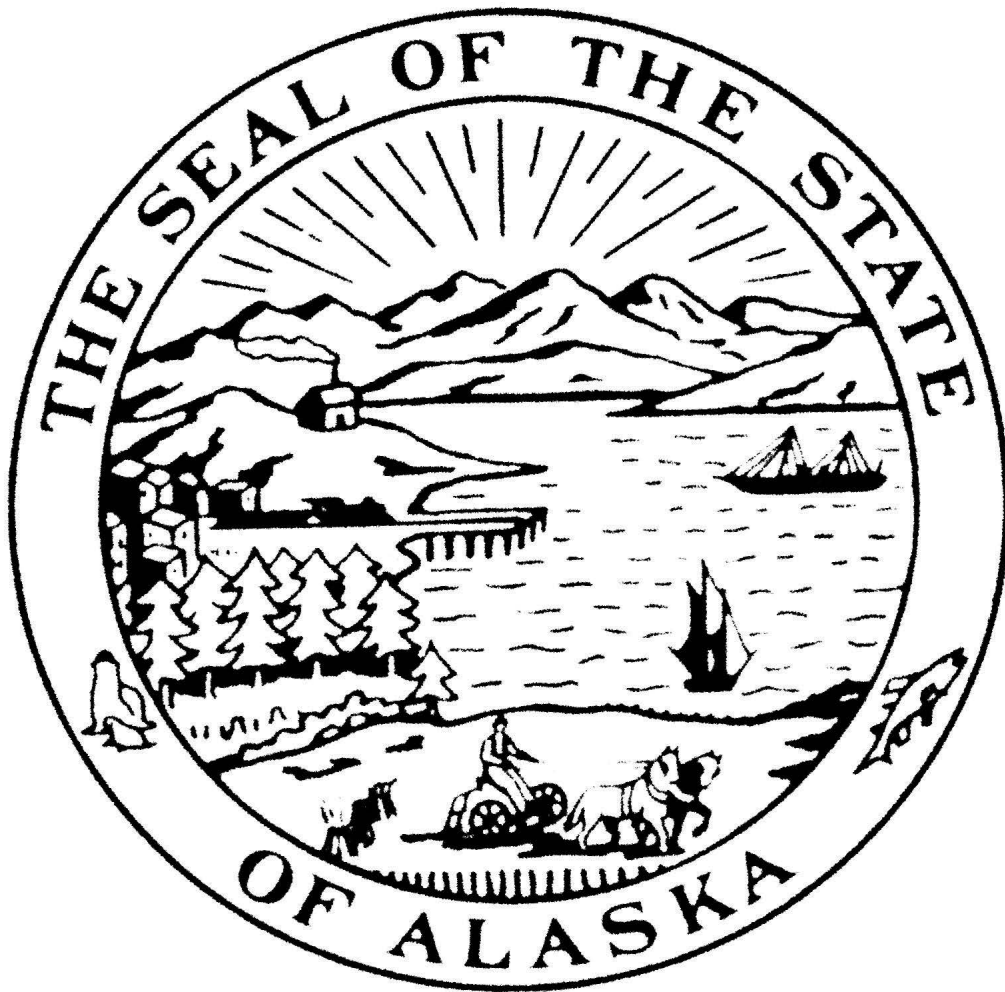
There are no changes in assumptions used between the valuation data presented above.



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Combining Fund Section





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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.

- **1 Cent Response Surcharge Fund (Fund 3388)** - AS 46.080.020, AS 43.55.201 - This fund is established to deposit the surcharge of \$.01 per barrel of oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation.
- **4 Cent Prevention Surcharge Fund (Fund 3389)** - AS 46.08.020, AS 43.55.300 - This fund is established to deposit the surcharge of \$.04 per barrel of oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation.
- **Abandoned Motor Vehicles Fund (Fund 3223)** - AS 28.11.110 - Administered by the Department of Administration. This fund consists of money appropriated to the fund by the legislature and proceeds from the sale of abandoned motor vehicles. This fund was created to reimburse payment of services associated with impounding, advertising, and selling abandoned vehicles.
- **Adak Airport Operations Fund (Fund 1190)** - PL 101-510 - The Alaska Department of Transportation and Public Facilities and the United States Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Naval Air Facility known as the Adak Airport. In accordance with the agreement, the Navy paid the State \$10,000,000 to operate and maintain the airport.
- **Alaska Capital Income Fund (Fund 1197)** - AS 37.05.565 - Administered by the Department of Revenue. This fund consists of money deposited to the fund from income earned on money awarded in or received as a result of State v. Amerada Hess and of appropriations to the fund. Money may be appropriated from this fund for any public purpose, including covering annual debt service and reserves for debt service on bonds authorized by state law.
- **Alaska Comprehensive Health Insurance Fund (Fund 1248)** - AS 21.55.430 - Administered by the Department of Commerce, Community, and Economic Development. The fund is established for the purpose of payment for claims under the reimbursement program.
- **Alaska Debt Retirement Fund (Fund 1044)** - AS 37.15.011 - The fund consists of all money appropriated to it. The fund was established to help meet the General Fund debt obligations of the State and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- **Alaska Gasline Inducement Act Reimbursement (Fund 3218)** - AS 43.90.400 - Administered by the Office of the Governor. This fund consists of money appropriated to it by the legislature for reimbursing a percentage of qualified expenditures as authorized under AS 43.90.110. These state matching contributions serve as an inducement to aid in the construction of a natural gas pipeline.
- **Alaska Higher Education Investment Fund (Fund 1226)** - AS 37.14.750 - Administered by the Department of Education and Early Development. This fund consists of appropriations, income earned on investments of fund assets, donations and money redeposited under AS 14.43.915(c). This fund is used for making grants and scholarship payments.
- **Alaska Historical Commission Receipts Account (Fund 3205)** - AS 41.35.380 - Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- **Alaska Marine Highway System Fund (Fund 3106)** - AS 19.65.060 - Administered by the Department of Transportation and Public Facilities, Alaska Marine Highway System. Gross revenues of the Alaska Marine Highway System are deposited into the fund. The fund also consists of legislative appropriations of amounts necessary to provide stable services to the public, after consideration of gross revenue.

- **Alaska Marine Highway System Vessel Replacement Fund (Fund 1082)** - AS 37.05.550 - Managed by the Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.
- **Alaska Senior Care Fund (Fund 1189)** - AS 47.45.360 - Administered by the Department of Health and Social Services. The fund is used to pay for the costs incurred in the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as authorized under AS 47.45.300 - 47.45.390.
- **Alaska Technical and Vocational Education Program Fund (Fund 1151)** - AS 23.15.830 - Administered by the Department of Labor and Workforce Development. The fund consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the fund to the Alaska Workforce Investment Board to implement AS 23.15.820 - 23.15.850. The legislature may appropriate the lapsing balance of the fund to the Unemployment Compensation Fund established in AS 23.20.130.
- **Alaska Transportation Infrastructure Bank (Fund 3107)** - Section 350 of the National Highway System Designation Act of 1995 Federal Law - Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.
- * **Alaska Veterans' Memorial Endowment (Fund 1181)** - AS 37.14.700(a) - Administered by the Department of Military and Veterans' Affairs. The fund is used to maintain and develop veteran or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- **Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 1180)** - AS 43.60.050 - Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- **Anatomical Gift Awareness Fund (Fund 1202)** - AS 13.50.160(a) - Administered by the Department of Administration. This fund was established to promote gifts under AS 13.50 the Health Care Decisions Act and to administer the donation program established under AS 13.50.130. The fund consists of donations and fees collected to support the Donor Registry Program.
- **Art in Public Places Fund (Fund 1145)** - AS 44.27.060 - Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.
- **Assistive Technology Loan Guarantee Fund (Fund 3213)** - AS 23.15.125 - Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- **Aviation Fuel Tax Fund (Fund 1239)** - AS 43.40.010(e) - This fund is established to deposit the 40 percent of all proceeds of the motor fuel taxes on aviation fuel shall be paid into a special aviation fuel tax account in the state general fund.
- **Building Safety Account (Fund 1172)** - AS 44.31.025 - Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 - 18.60.395, 18.60.800 - 18.60.820 and AS 18.62 relating to building safety and certificates of fitness.
- **Civil Legal Services Fund (Fund 1221)** - AS 37.05.590 - The fund consists of appropriations made to it. Annually, the legislature may only appropriate to the fund amounts deposited into the general fund of the state under AS 09.17.020(j). The legislature may make appropriations from the fund to organizations that provide civil legal services to low-income individuals.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 1166)** - AS 46.03.482 - Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department's operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department's operational costs necessary to carry out activities under AS 46.03.460 - 46.03.490 relating to commercial passenger vessels.

- **Commercial Vessel Passenger Tax Account (Fund 1206)** - AS 43.35.220, AS 43.52.230(a) - Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water, and proceeds on gambling activities on large passenger vessels in the state. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce, and such other lawful purposes as determined by the legislature.
- **Community Assistance Fund (Fund 3220)** - AS 29.60.850 - Administered by the Department of Commerce, Community, and Economic Development. The Fund provides community revenue sharing payments to municipalities, reserves, and communities for any public purpose. The fund consists of appropriations. Income earned on money in the fund may be appropriated to the fund. The legislature may appropriate 20 percent of the money received by the State during the previous calendar year under AS 43.55.011(g).
- **Constitutional Budget Reserve Fund (Fund 3100)** - Alaska Constitution, Article IX, Section 17; AS 37.13 - Administered by the Department of Revenue. All money received by the State as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- **Crime Victims Compensation Fund (Fund 1220)** - AS 18.67.162 - Administered by the Department of Public Safety, Crime Victims Compensation Board. This fund consists of all money appropriated to it, including donations, recoveries of or reimbursements of awards made from the fund and investment income. The purpose of the fund is to facilitate and permit the payment of compensation to innocent persons as a result of certain serious crimes.
- **Disaster Relief Fund (Fund 1116)** - AS 26.23.300 - Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the State.
- **Donated Commodity Fee Fund (Fund 1014)** - USC 7 CFR, Part 250 - Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- **Educational Facilities Maintenance and Construction Fund (Fund 1083)** - AS 37.05.560 - Administered by the Department of Education and Early Development. Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.
- **Election Fund (Fund 1185)** - Federal H.R. 3295, "The Help America Vote Act" - Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- **Employment Assistance and Training Program Account (Fund 1054)** - AS 23.15.625 - Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 - 23.15.660. The legislature may appropriate the lapsing balance of the account to the Unemployment Compensation Fund established in AS 23.20.130.
- **FHWA - Airspace Leases Fund (Fund 3207)** - Section 156 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 requires that the State shall charge fair market value for the sale, use, or lease rentals of right-of-way airspace and that the federal share of these net incomes be used by the State for highway projects. This fund accounts for those revenues. The revenues are available for appropriation by the legislature for highway projects.
- **FICA Administration Fund (Fund 1023)** - AS 39.30.050 - Administered by the Department of Administration. The fund consists of the pro rata share of expenses incurred in the administration of AS 39.30.010 - 39.30.080 and collected from participating political subdivisions and from the State.
- **Fisheries Disaster Fund (Fund 3216)** - PL 108-7, Sec. 2, Division N, Title V - Fisheries Disasters, Sec. 501(a) - Administered by the Office of the Governor. \$35,000,000 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities that have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.

- **Fuel Emergency Fund (Fund 3206)** - AS 26.23.400 - Administered by the Office of the Governor. This fund is used when the governor determines that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a city or borough, or to a village or unincorporated community to purchase emergency supplies of fuel.
- **Fund for the Improvement of School Performance (Fund 3210)** - AS 14.03.125 - Administered by the Department of Education and Early Development. It is used to make grants to a district located in the State for the purpose of improving school performance.
- **Major Maintenance Grant Fund (Fund 1193)** - AS 14.11.007 - Administered by the Department of Education and Early Development. The fund is used to make grants for the cost of school major maintenance.
- **Memorial Education Revolving Loan Fund (Fund 3226)** - AS 14.43.255 - Administered by the Department of Education and Early Development. The fund was created to pay tribute to the memory of Alaskans who, by example of their lives, or by their distinguished contribution and service to the State, their community, or their profession, exemplified the best that is the challenge of “The Great Land.” The funds shall be used to provide education loans to students selected under AS 14.43.250-325.
- **Municipal Capital Project Matching Grant Fund (Fund 1087)** - AS 37.06.010 - Administered by the Department of Commerce, Community, and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- **Municipal Harbor Facility Grant Fund (Fund 3217)** - AS 29.60.800 - Administered by the Department of Transportation and Public Facilities. The money appropriated to the fund may be expended by the department for municipal harbor grants.
- **Oil and Gas Tax Credit Fund (Fund 3219)** - AS 43.55.028 - Administered by the Department of Revenue. The purpose of this fund is to purchase certain transferable tax credit certificates issued under AS 43.55.023 and certain production tax credit certificates issued under AS 43.55.025. The fund consists of money appropriated to it, including any appropriation of the percentage provided under (c) of this section of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund established in art. IX, sec. 17 (a), Constitution of the State of Alaska; and earnings on the fund.
- **Oil and Hazardous Substance Release Prevention and Response (Fund 1052 and 3208)** - AS 46.08.010 - Administered by the Department of Environmental Conservation. This fund is composed of two accounts: (1) the prevention account and (2) the response account. The fund consists of appropriations by the legislature of money from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under Chapter 46. This money is for the containment and cleanup of oil or a hazardous substance; monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance; and recovery of the cost to the State of the containment and cleanup of oil or a hazardous substance.
- **Oil and Hazardous Substance Release Prevention Mitigation Account (Fund 3211)** - AS 46.08.020(b) - Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance; and fines, penalties, or damages recovered under AS 46.08.005-46.08.080. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the prevention account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Oil and Hazardous Substance Release Response Mitigation Account (Fund 3212)** - AS 46.08.025(b) - Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site for which the State expended money from the former oil and hazardous substance release response fund before October 2, 1994, or for which the State expended money from the response account. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the response account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Originator Surety Fund (Fund 3221)** - AS 06.60.500 - Administered by the Department of Commerce, Community, and Economic Development. This fund consists of payments made by originator licensees under AS 06.60.550, filing fees retained under AS 06.60.620, income earned on the investment of the money in the fund, and money deposited in the fund by the department under AS 06.60.740.
- **Peace Officer and Firefighter Survivor’s Fund (Fund 3387)** - AS 39.60.010 - This fund is established within the Department of Public Safety for the purpose of paying medical insurance premiums for an eligible surviving spouse or dependent child of a peace officer or a firefighter.

- **Permanent Fund Dividend Fund (Fund 1050)** - AS 43.23.045 - Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- **Public Education Fund (Fund 3201)** - AS 14.17.300 - Administered by the Department of Education and Early Development. This account may be expended only in aid of public schools and for centralized correspondence study programs under Chapter 17 - Financing of Public Schools, and for transportation of pupils under AS 14.09.010.
- **Railbelt Energy Fund (Fund 1012)** - AS 37.05.520 - Managed by the Department of Revenue. The legislature may appropriate money from the fund for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.
- **Randolph-Sheppard Small Business Fund (Fund 1117)** - AS 23.15.130, 20 USC 107-107(f) - Administered by the Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- **Real Estate Recovery Fund (Fund 1040)** - AS 08.88.450 - Administered by the Department of Commerce, Community, and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.
- **Recidivism Reduction Fund (Fund 1246)** - AS 43.61.010(c) - This fund is established to deposit the 50 percent of the tax collected under this section (marijuana tax) in to this fund within the state general fund.
- **Regional Cruise Ship Impact Fund (Fund 1207)** - AS 43.52.230(c) - Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign, commerce, and such other lawful purposes as determined by the legislature.
- **Regional Educational Attendance Area School Fund (Fund 1222)** - AS 14.11.030 - Administered by the Department of Education and Early Development for the purpose of funding costs of school construction in regional educational attendance areas.
- **School Construction Grant Fund (Fund 1080)** - AS 14.11.005 - Administered by the Department of Education and Early Development. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund.
- **School Trust Land Sales (Fund 3215)** - Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for income from former public school trust land, the status of which is in litigation.
- **State Insurance Catastrophe Reserve Account (Fund 3209)** - AS 37.05.289 - Administered by the Department of Administration. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.
- **State Land Disposal Income Fund (Fund 1153)** - AS 38.04.022(a) - Administered by the Department of Natural Resources. The fund consists of revenue from the state land disposal program.
- **State Land Reforestation Fund (Fund 1019)** - AS 41.17.300 - Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation; seed and seedling acquisition and cultivation; planting and other reforestation measures; timber stand improvement; and the development of materials and techniques for the reforestation of state land.
- **Statutory Budget Reserve Fund (Fund 3200)** - AS 37.05.540 - Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the State that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit may be appropriated to the budget reserve fund.
- **Surplus Property Revolving Fund (Fund 1033)** - AS 37.05.500(a)(2), AS 44.68.130 - Administered by the Department of Administration. This fund is to account for revenues from the users or purchasers of excess federal property that the State has acquired and is used to pay the administrative expenses incurred in managing this property.
- **Tobacco Use Education and Cessation Fund (Fund 1168)** - 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).

- **Training and Building Fund (Fund 1049)** - AS 23.20.130(d) - Administered by the Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available and for the acquisition of land and buildings for the purpose of providing office space for the department.
- **Trauma Care Fund (Fund 3222)** - AS 18.08.085 - Administered by the Department of Health and Social Services. This fund consists of money appropriated to it by the legislature including donations, recoveries of or reimbursements for awards made from the fund and investment income. The purpose of this fund is to compensate certified trauma centers in the state that receive a special designation under AS 18.08.082(c) and that achieve or maintain the highest appropriate level of trauma care designation.
- **Unincorporated Community Capital Project Matching Grant Fund (Fund 1088)** - AS 37.06.020 - Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vaccine Assessment (Fund 1238)** - AS 18.09.230 - Administered by the Department of Health and Social Services. The fund is established for the purpose of monitoring, purchasing, and distributing included vaccines to providers approved by the department who agree to provide the vaccines to state residents under terms consistent with the program and state and federal law.
- **Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 1237)** - AS 23.15.130 - Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Compensation Benefits Guaranty Fund (Fund 1203)** - AS 23.30.082 - Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **Workers' Safety and Compensation Administration Account (Fund 1157)** - AS 23.05.067 - Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the State for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.

STATE OF ALASKA
Combining Balance Sheet
General Fund
June 30, 2018
(Stated in Thousands)

STATEMENT 3.01

	General Fund						Total General Fund
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	
ASSETS							
Cash and Investments	\$ 2,357,383	\$ 238,166	\$ 14,293	\$ 8,397	\$ 2,198,618	\$ —	\$ 4,816,857
Accounts Receivable - Net	11	—	—	—	368,669	—	368,680
Interest and Dividends Receivable	2,747	—	37	—	16,069	—	18,853
Due from Other Funds	11,826,323	—	—	—	1,412,294	(13,182,752)	55,865
Due from Component Units	—	—	—	—	4,117	—	4,117
Due from Other Governments	—	—	—	—	770,307	—	770,307
Loans, Notes, and Bonds Receivable	—	—	—	—	18,471	—	18,471
Inventories	—	—	—	—	24,961	—	24,961
Other Assets	—	—	—	—	69,212	—	69,212
Total Assets	14,186,464	238,166	14,330	8,397	4,882,718	(13,182,752)	6,147,323
LIABILITIES							
Accounts Payable and Accrued Liabilities	—	2,120	5,405	—	1,644,382	—	1,651,907
Due to Other Funds	1,170,209	184,943	838	438	11,908,687	(13,182,752)	82,363
Due to Component Units	—	281	—	—	8,395	—	8,676
Due to Other Governments	—	—	—	—	9,527	—	9,527
Unearned Revenue	—	—	217	—	44,856	—	45,073
Other Liabilities	—	—	54	—	2,157	—	2,211
Total Liabilities	1,170,209	187,344	6,514	438	13,618,004	(13,182,752)	1,799,757
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	—	—	—	—	365,311	—	365,311
FUND BALANCES							
Nonspendable:							
Inventory	—	—	—	—	24,755	—	24,755
Advances and Prepaid Items	9,916,000	—	—	—	68,982	(9,916,000)	68,982
Restricted for:							
Debt Service	—	—	—	—	4,678	—	4,678
Education	—	—	—	—	15,355	—	15,355
Health and Human Services	—	—	—	—	643	—	643
Development	—	—	—	—	25,830	—	25,830
Other Purposes	—	—	—	—	3,343	—	3,343
Committed to:							
Education	—	—	—	7,959	626,145	—	634,104
Health and Human Services	—	1,498	—	—	146,272	—	147,770
Public Protection	—	152	—	—	124,205	—	124,357
Permanent Fund	—	—	7,816	—	—	—	7,816
Development	—	2,545	—	—	977,086	—	979,631
Other Purposes	—	46,627	—	—	34,890	—	81,517
Unassigned	3,100,255	—	—	—	(11,152,781)	9,916,000	1,863,474
Total Fund Balances	13,016,255	50,822	7,816	7,959	(9,100,597)	—	3,982,255
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 14,186,464	\$ 238,166	\$ 14,330	\$ 8,397	\$ 4,882,718	\$ (13,182,752)	\$ 6,147,323

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

General Fund

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	General Fund						Total General Fund
	Constitutional Budget Reserve Subfund	Statutory Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund	General and all Other Subfunds	Eliminations of Internal Balances	
REVENUES							
Taxes	\$ 49,317	\$ —	\$ —	\$ —	\$ 1,266,603	\$ —	\$ 1,315,920
Licenses and Permits	—	—	—	—	127,311	—	127,311
Charges for Services	—	—	568	236	172,390	—	173,194
Fines and Forfeitures	660	—	170	—	18,105	—	18,935
Rents and Royalties	33,293	—	—	—	1,060,673	—	1,093,966
Premiums and Contributions	—	—	—	—	19,229	—	19,229
Interest and Investment Income (Loss)	96,442	—	—	—	49,294	—	145,736
Federal Grants in Aid	—	—	—	—	3,124,624	—	3,124,624
Payments In from Component Units	—	—	—	—	12,765	—	12,765
Other Revenues	—	—	8	—	68,648	—	68,656
Total Revenues	179,712	—	746	236	5,919,642	—	6,100,336
EXPENDITURES							
Current:							
General Government	—	615	8,017	—	289,982	—	298,614
Alaska Permanent Fund Dividend	—	—	697,730	—	286	—	698,016
Education	—	—	—	1,251,775	535,076	—	1,786,851
University	—	—	—	—	368,534	—	368,534
Health and Human Services	—	105	14,058	—	3,168,389	—	3,182,552
Law and Justice	—	4	—	—	240,898	—	240,902
Public Protection	—	48	11,580	—	726,661	—	738,289
Natural Resources	—	150	—	—	280,126	—	280,276
Development	—	1,681	—	—	200,130	—	201,811
Transportation	—	17,398	—	—	1,122,789	—	1,140,187
Intergovernmental Revenue Sharing	—	—	—	—	107,852	—	107,852
Debt Service:							
Principal	—	—	—	—	34,816	—	34,816
Interest and Other Charges	—	—	—	—	14,415	—	14,415
Total Expenditures	—	20,001	731,385	1,251,775	7,089,954	—	9,093,115
Excess (Deficiency) of Revenues Over Expenditures	179,712	(20,001)	(730,639)	(1,251,539)	(1,170,312)	—	(2,992,779)
OTHER FINANCING SOURCES (USES)							
Capital Leases	—	—	—	—	12,093	—	12,093
Transfers In from Other Funds	—	267,974	725,950	1,226,000	1,397,755	(2,848,334)	769,345
Transfers (Out to) Other Funds	(1,170,209)	(197,151)	(1,023)	—	(1,576,965)	2,848,334	(97,014)
Total Other Financing Sources and Uses	(1,170,209)	70,823	724,927	1,226,000	(167,117)	—	684,424
Net Change in Fund Balances	(990,497)	50,822	(5,712)	(25,539)	(1,337,429)	—	(2,308,355)
Fund Balances - Beginning of Year	14,006,752	—	13,528	33,498	(7,763,168)	—	6,290,610
Fund Balances - End of Year	\$ 13,016,255	\$ 50,822	\$ 7,816	\$ 7,959	\$ (9,100,597)	\$ —	\$ 3,982,255

Nonmajor Governmental Funds



STATE OF ALASKA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018
(Stated in Thousands)

STATEMENT 3.11

	Permanent Fund				Total Nonmajor Governmental Funds
	Public School Trust Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
ASSETS					
Cash and Investments	\$ 651,323	\$ 124,521	\$ 41,819	\$ 135,483	\$ 953,146
Accounts Receivable - Net	814	1,194	—	—	2,008
Interest and Dividends Receivable	24	—	—	240	264
Due from Other Funds	389	3,491	965	—	4,845
Due from Other Governments	—	245	—	—	245
Loans, Notes, and Bonds Receivable	79	—	—	—	79
Other Assets	—	4,267	—	—	4,267
Total Assets	<u>652,629</u>	<u>133,718</u>	<u>42,784</u>	<u>135,723</u>	<u>964,854</u>
LIABILITIES					
Accounts Payable and Accrued Liabilities	63	3,562	—	2,474	6,099
Due to Other Funds	—	3,942	—	4,526	8,468
Unearned Revenue	156	74	—	—	230
Other Liabilities	—	584	—	—	584
Total Liabilities	<u>219</u>	<u>8,162</u>	<u>—</u>	<u>7,000</u>	<u>15,381</u>
FUND BALANCES					
Nonspendable:					
Principal	650,965	—	—	—	650,965
Advances and Prepaid Items	—	4,236	—	—	4,236
Restricted for:					
Debt Service	—	—	42,784	—	42,784
Education	—	6,513	—	23,803	30,316
Health and Human Services	—	16,792	—	—	16,792
Development	—	42,847	—	104,920	147,767
Other Purposes	—	186	—	—	186
Committed to:					
Education	1,445	5,365	—	—	6,810
Public Protection	—	2,488	—	—	2,488
Development	—	47,129	—	—	47,129
Total Fund Balances	<u>652,410</u>	<u>125,556</u>	<u>42,784</u>	<u>128,723</u>	<u>949,473</u>
Total Liabilities and Fund Balances	<u>\$ 652,629</u>	<u>\$ 133,718</u>	<u>\$ 42,784</u>	<u>\$ 135,723</u>	<u>\$ 964,854</u>

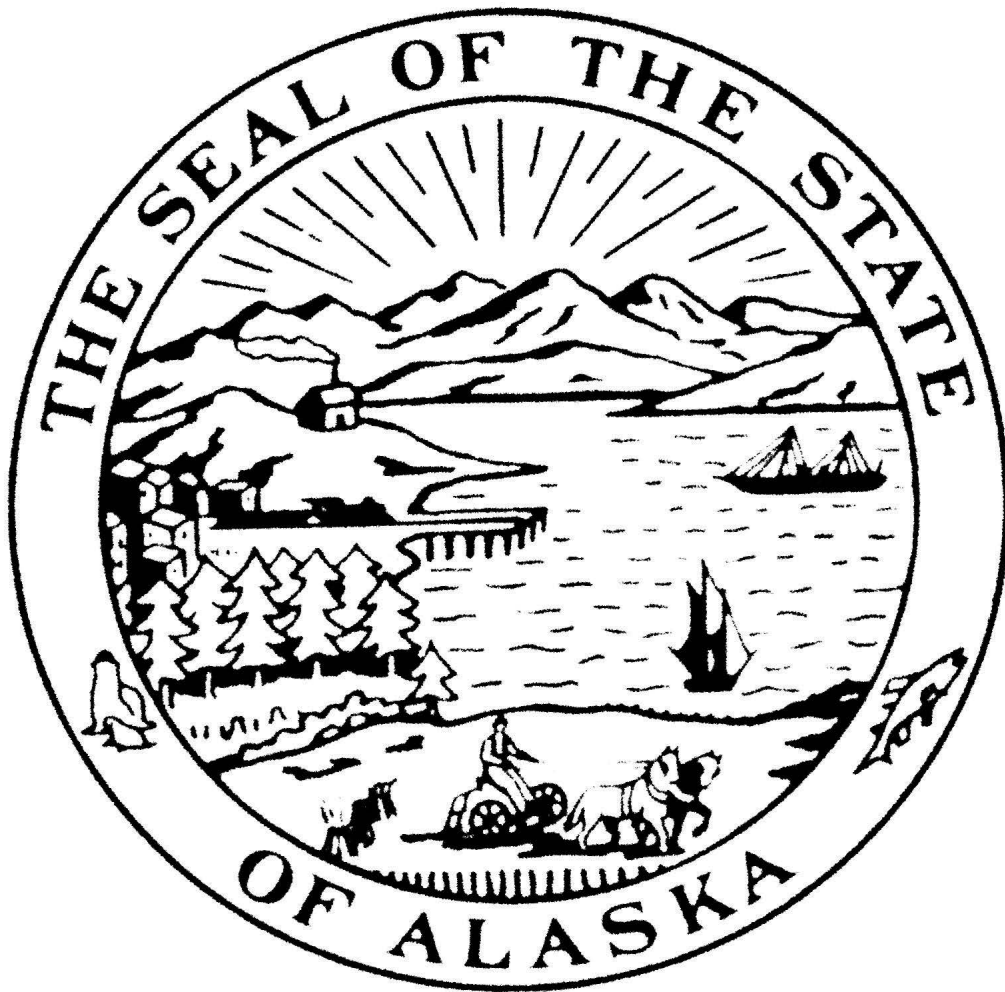
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Permanent Fund		Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	Public School Trust Fund	Special Revenue Funds			
REVENUES					
Taxes	\$ —	\$ 15,782	\$ —	\$ —	\$ 15,782
Licenses and Permits	—	40,245	—	—	40,245
Charges for Services	—	546	—	—	546
Fines and Forfeitures	—	106	—	—	106
Rents and Royalties	7,254	23,662	—	—	30,916
Premiums and Contributions	—	21,236	—	—	21,236
Interest and Investment Income (Loss)	38,425	913	715	2,308	42,361
Federal Grants in Aid	—	752	—	—	752
Other Revenues	—	981	40,849	—	41,830
Total Revenues	45,679	104,223	41,564	2,308	193,774
EXPENDITURES					
Current:					
General Government	120	2,355	—	—	2,475
Education	24,658	21,859	—	19,348	65,865
University	—	1,779	—	—	1,779
Health and Human Services	—	3,470	—	—	3,470
Public Protection	—	564	—	—	564
Natural Resources	—	54,186	—	—	54,186
Development	—	1,711	—	—	1,711
Transportation	—	10,196	—	29,520	39,716
Debt Service:					
Principal	—	—	81,215	—	81,215
Interest and Other Charges	—	—	54,099	—	54,099
Total Expenditures	24,778	96,120	135,314	48,868	305,080
Excess (Deficiency) of Revenues Over Expenditures	20,901	8,103	(93,750)	(46,560)	(111,306)
OTHER FINANCING SOURCES (USES)					
Transfers In from Other Funds	—	497	95,747	—	96,244
Transfers (Out to) Other Funds	—	(6,037)	(89)	(302)	(6,428)
Total Other Financing Sources and Uses	—	(5,540)	95,658	(302)	89,816
Net Change in Fund Balances	20,901	2,563	1,908	(46,862)	(21,490)
Fund Balances - Beginning of Year	631,509	122,993	40,876	175,585	970,963
Fund Balances - End of Year	\$ 652,410	\$ 125,556	\$ 42,784	\$ 128,723	\$ 949,473



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Permanent Funds

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

- **Alaska Mental Health Trust Authority (Fund 3146)** - AS 47.30.011 - This is a Discretely Presented Component Unit. The fund description is contained in the Notes to the Basic Financial Statements, Note 1A. Statements are included in the Non-major Component Units section.
- **Alaska Permanent Fund (Fund 3258)** - Alaska Constitution, Article IX, Section 15 - Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State shall be placed in the Alaska Permanent Fund. This is a major fund and included in Statements 1.11, 1.13, and 3.23.
- **Public School Trust Fund (Fund 3121)** - AS 37.14.110 - Administered by the Department of Revenue. The principal consists of the balance of the public school permanent fund on July 1, 1978, and one-half of one percent of the receipts derived from the management of state land (AS 34.14.150). The net income of the fund may be appropriated only for the support of the state public school program. This is a non-major fund and is included in Statements 3.11, 3.12, and 3.23.



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

Permanent Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

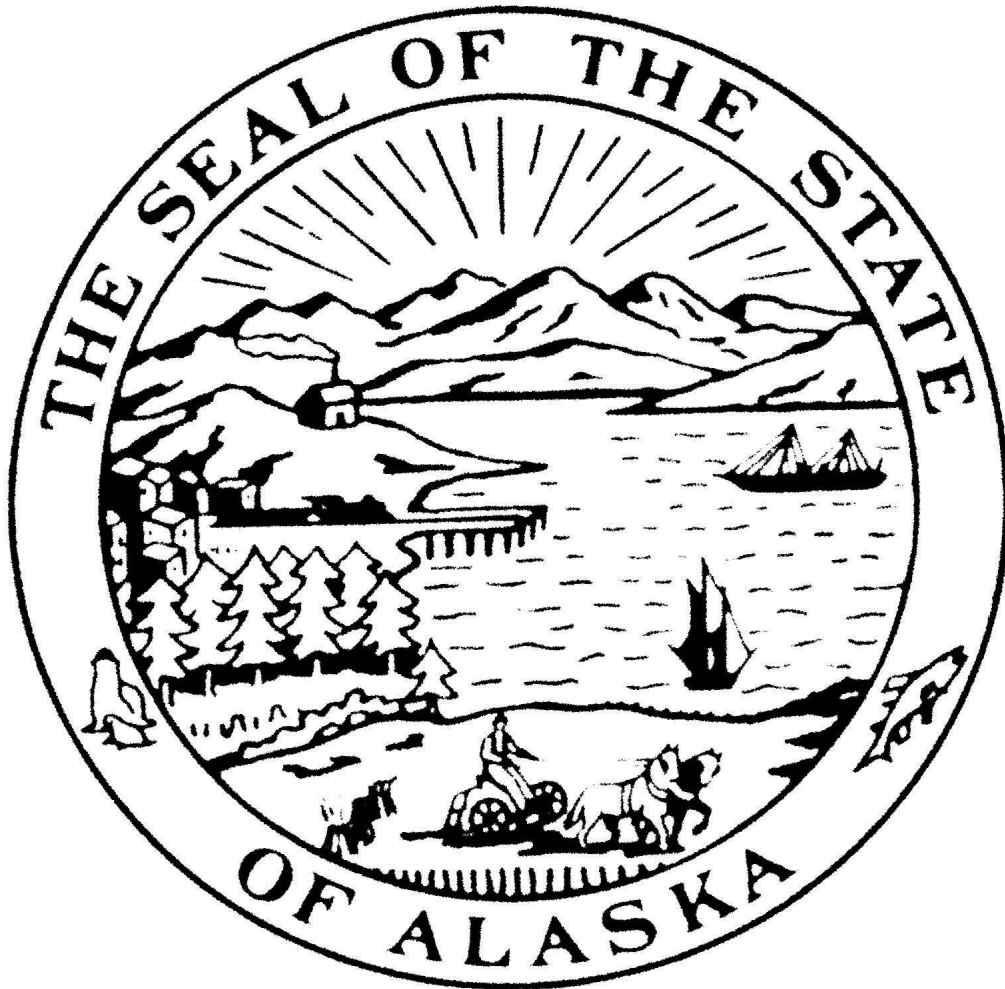
	Public School Trust			Alaska Permanent			Total Permanent Funds		
	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
REVENUES									
Unrestricted:									
Rents and Royalties	\$ 7,254	\$ 7,254	\$ —	\$ 353,095	\$ 353,095	\$ —	\$ 360,349	\$ 360,349	\$ —
Interest and Investment Income (Loss)	38,425	38,425	—	5,671,456	5,671,456	—	5,709,881	5,709,881	—
Total Revenues	45,679	45,679	—	6,024,551	6,024,551	—	6,070,230	6,070,230	—
EXPENDITURES									
Current:									
General Government	130	120	10	154,894	138,810	16,084	155,024	138,930	16,094
Education	24,773	24,759	14	—	—	—	24,773	24,759	14
Law and Justice	—	—	—	2,616	1,141	1,475	2,616	1,141	1,475
Natural Resources	—	—	—	5,959	5,959	—	5,959	5,959	—
Total Expenditures	24,903	24,879	24	163,469	145,910	17,559	188,372	170,789	17,583
Excess (Deficiency) of Revenues Over Expenditures	20,776	20,800	(24)	5,861,082	5,878,641	(17,559)	5,881,858	5,899,441	(17,583)
OTHER FINANCING SOURCES (USES)									
Transfers (Out to) Other Funds	—	—	—	(769,345)	(769,345)	—	(769,345)	(769,345)	—
Total Other Financing Sources and Uses	—	—	—	(769,345)	(769,345)	—	(769,345)	(769,345)	—
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	\$ 20,776	20,800	\$ (24)	\$ 5,091,737	5,109,296	\$ (17,559)	\$ 5,112,513	5,130,096	\$ (17,583)
RECONCILIATION OF BUDGETARY/GAAP REPORTING									
Adjust Expenditures for Encumbrances		101			—			101	
Basis Difference		—			(48)			(48)	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		20,901			5,109,248			5,130,149	
Fund Balances - Beginning of Year (Restated)		631,509			59,785,097			60,416,606	
Fund Balances - End of Year		\$ 652,410			\$64,894,345			\$65,546,755	

Nonmajor Special Revenue Funds

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

- **Alaska Housing Capital Corporation (AHCC) (Fund 1213)** - AS 18.56.086 - Subsidiary of AHFC. The purpose of this fund is to fund capital projects, including financing expenses. AHCC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Alaska State Council on the Arts (Fund 3392)** - AS 44.27.040 - The fund is established to accept gifts, contributions, and bequests of unrestricted funds from individuals, foundations, corporations, and other organizations or institutions for the purpose of furthering the strategic objectives of the council's programs. The council is the official agency of this state to receive and disburse funds made available by the National Endowment for the Arts.
- **Alyeska Settlement Trust Fund (Fund 3110)** - Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company - Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.
- **Clean Air Protection Fund (Fund 1093)** - AS 46.14.260 and Federal Clean Air Act - Administered by the Department of Environmental Conservation. The fund was established to collect and account for permit fees under the Federal Clean Air Act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- **Exxon Valdez Oil Spill Restoration Fund (Fund 3109)** - United States District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in \$50 million restitution being received by the State to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.
- * **Exxon Valdez Settlement Trust Fund (Fund 3114)** - AS 37.14.400 - Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish and Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the State for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.
- **Fish and Game Fund (Fund 3108)** - AS 16.05.100 - Administered by the Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of the Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game resources; and donations. In addition to the statutory revenues, federal revenues, crewmember license fees, and other sources are appropriated to the fund for purposes related to fish and wildlife.
- **Fishermen's Fund (Fund 1032)** - AS 23.35.060 - Administered by the Department of Labor and Workforce Development. This fund is composed of 39 percent of the money derived by the State from all commercial fishermen's licenses and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of injured or disabled commercial fishermen.

- **Mine Reclamation Trust Fund (Fund 3111)** - AS 37.14.800 - Administered by the Department of Natural Resources. The principal and earnings of the fund shall be held by the State for the purpose of protecting the public interest in reclaiming mine sites in the State. The fund is composed of the mine reclamation trust fund income account and the mine reclamation trust fund operating account. The fund's income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account. The mine reclamation trust fund operating account consists of appropriations by the legislature of the annual balance of the mine reclamation trust fund income account and any earnings on those appropriations while in the operating account.
- **National Petroleum Reserve (NPR) Fund (Fund 1063)** - AS 37.05.530 - The commissioner of the Department of Revenue is responsible for the management of the NPR fund. The Department of Commerce, Community and Economic Development administers the NPR grant program within the fund. This fund consists of all money disbursed to the State by the federal government under 42 USC 6506a and former USC 6508 since December 12, 1980, less the amount deposited in the General Fund and expended by the State by General Fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.
- **Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 3242)** - AS 18.56.086 - Subsidiary of AHFC. The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Reclamation Bonding Pool Fund (Fund 3234)** - AS 27.19.040 - Administered by the Department of Natural Resources. The fund is a statewide bonding pool for mining operations as an alternative to individual financial assurance. A miner participating in the bonding pool contributes a nonrefundable annual fee and an initial deposit that is refunded upon satisfactory completion of the approved reclamation plan. If a miner violates the reclamation plan, the financial assurance is forfeited and deposited in the fund. Income and other earnings on the bonding pool are also added to the fund. The reclamation and administrative costs and forfeited financial assurances are used for reclamation of the mining sites subject to forfeiture.
- **School Fund (Fund 1030)** - AS 43.50.140 - Administered by the Department of Revenue and the Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the State's school facilities, and for costs of insurance on buildings comprising school facilities.
- **Second Injury Fund (Fund 1031)** - AS 23.30.040 - Administered by the Department of Labor and Workforce Development. The fund consists of contributions from employers collected under AS 23.30.040(b) and (c), and civil penalties collected under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under AS 23.30.



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STATE OF ALASKA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018
(Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool	Clean Air Protection	Exxon Valdez Oil Spill Restoration
ASSETS								
Cash and Investments	\$ 5,560	\$ 11,685	\$ 25,886	\$ 3,798	\$ 24,444	\$ 2,756	\$ 1,747	\$ 1,383
Accounts Receivable - Net	—	—	—	1,187	—	—	—	—
Due from Other Funds	—	134	1	1,528	1,275	2	263	—
Due from Other Governments	—	—	—	—	—	—	—	—
Other Assets	—	—	32	—	—	—	—	—
Total Assets	5,560	11,819	25,919	6,513	25,719	2,758	2,010	1,383
LIABILITIES								
Accounts Payable and Accrued Liabilities	304	11	1,932	—	556	—	126	—
Due to Other Funds	272	—	3,306	—	—	—	—	—
Unearned Revenue	—	—	—	—	—	—	—	—
Other Liabilities	—	—	1	—	—	583	—	—
Total Liabilities	576	11	5,239	—	556	583	126	—
FUND BALANCES								
Nonspendable:								
Advances and Prepaid Items	—	—	—	—	—	—	—	—
Restricted for:								
Education	—	—	—	6,513	—	—	—	—
Health and Human Services	4,984	11,808	—	—	—	—	—	—
Development	—	—	20,680	—	—	2,175	1,884	1,383
Other Purposes	—	—	—	—	—	—	—	—
Committed to:								
Education	—	—	—	—	—	—	—	—
Public Protection	—	—	—	—	—	—	—	—
Development	—	—	—	—	25,163	—	—	—
Total Fund Balances	4,984	11,808	20,680	6,513	25,163	2,175	1,884	1,383
Total Liabilities and Fund Balances	\$ 5,560	\$ 11,819	\$ 25,919	\$ 6,513	\$ 25,719	\$ 2,758	\$ 2,010	\$ 1,383

This statement continued on next page.

STATE OF ALASKA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018
(Stated in Thousands)

STATEMENT 3.31

	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Alaska State Council on the Arts	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and Investments	\$ 3,628	\$ 12,096	\$ 186	\$ 1,176	\$ 30,176	\$ —	\$ 124,521
Accounts Receivable - Net	—	—	—	—	—	7	1,194
Due from Other Funds	—	—	—	—	—	288	3,491
Due from Other Governments	—	—	—	—	—	245	245
Other Assets	—	—	—	—	4,235	—	4,267
Total Assets	3,628	12,096	186	1,176	34,411	540	133,718
LIABILITIES							
Accounts Payable and Accrued Liabilities	—	167	—	—	—	466	3,562
Due to Other Funds	—	8	—	—	356	—	3,942
Unearned Revenue	—	—	—	—	—	74	74
Other Liabilities	—	—	—	—	—	—	584
Total Liabilities	—	175	—	—	356	540	8,162
FUND BALANCES							
Nonspendable:							
Advances and Prepaid Items	—	—	—	—	4,236	—	4,236
Restricted for:							
Education	—	—	—	—	—	—	6,513
Health and Human Services	—	—	—	—	—	—	16,792
Development	3,628	11,921	—	1,176	—	—	42,847
Other Purposes	—	—	186	—	—	—	186
Committed to:							
Education	—	—	—	—	5,365	—	5,365
Public Protection	—	—	—	—	2,488	—	2,488
Development	—	—	—	—	21,966	—	47,129
Total Fund Balances	3,628	11,921	186	1,176	34,055	—	125,556
Total Liabilities and Fund Balances	\$ 3,628	\$ 12,096	\$ 186	\$ 1,176	\$ 34,411	\$ 540	\$ 133,718

This statement continued on next page.

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool	Clean Air Protection	Exxon Valdez Oil Spill Restoration
REVENUES								
Taxes	\$ —	\$ —	\$ —	\$ 15,782	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	840	35,763	—	—	—	3,642	—
Charges for Services	—	—	406	—	—	138	—	—
Fines and Forfeitures	—	—	106	—	—	—	—	—
Rents and Royalties	—	—	—	—	23,662	—	—	—
Premiums and Contributions	3,258	—	—	—	—	—	—	—
Interest and Investment Income (Loss)	—	—	276	—	—	27	—	32
Federal Grants in Aid	—	—	—	—	—	—	—	—
Other Revenues	—	4	976	—	—	—	—	—
Total Revenues	3,258	844	37,527	15,782	23,662	165	3,642	32
EXPENDITURES								
Current:								
General Government	—	—	—	—	1,765	—	506	—
Education	—	—	—	18,599	—	—	—	—
University	—	—	—	—	—	—	—	—
Health and Human Services	2,645	825	—	—	—	—	—	—
Public Protection	—	—	—	—	462	—	—	—
Natural Resources	—	—	32,947	—	48	—	3,399	—
Development	—	—	—	—	1,383	—	—	—
Transportation	—	—	—	—	2,400	—	—	2,653
Total Expenditures	2,645	825	32,947	18,599	6,058	—	3,905	2,653
Excess (Deficiency) of Revenues Over Expenditures	613	19	4,580	(2,817)	17,604	165	(263)	(2,621)
OTHER FINANCING SOURCES (USES)								
Transfers In from Other Funds	—	—	408	—	—	—	—	—
Transfers (Out to) Other Funds	—	—	(6,037)	—	—	—	—	—
Total Other Financing Sources and Uses	—	—	(5,629)	—	—	—	—	—
Net Change in Fund Balances	613	19	(1,049)	(2,817)	17,604	165	(263)	(2,621)
Fund Balances - Beginning of Year	4,371	11,789	21,729	9,330	7,559	2,010	2,147	4,004
Fund Balances - End of Year	\$ 4,984	\$ 11,808	\$ 20,680	\$ 6,513	\$ 25,163	\$ 2,175	\$ 1,884	\$ 1,383

This statement continued on next page.

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Alaska State Council on the Arts	Total Nonmajor Special Revenue Funds
REVENUES							
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 15,782
Licenses and Permits	—	—	—	—	—	—	40,245
Charges for Services	—	—	—	—	—	2	546
Fines and Forfeitures	—	—	—	—	—	—	106
Rents and Royalties	—	—	—	—	—	—	23,662
Premiums and Contributions	—	16,839	—	—	—	1,139	21,236
Interest and Investment Income (Loss)	67	119	—	81	311	—	913
Federal Grants in Aid	—	—	—	—	—	752	752
Other Revenues	—	1	—	—	—	—	981
Total Revenues	67	16,959	—	81	311	1,893	104,223
EXPENDITURES							
Current:							
General Government	—	—	84	—	—	—	2,355
Education	—	—	—	—	1,367	1,893	21,859
University	—	—	—	—	1,779	—	1,779
Health and Human Services	—	—	—	—	—	—	3,470
Public Protection	—	—	—	—	102	—	564
Natural Resources	—	17,788	—	4	—	—	54,186
Development	—	—	—	—	328	—	1,711
Transportation	4,379	—	—	—	764	—	10,196
Total Expenditures	4,379	17,788	84	4	4,340	1,893	96,120
Excess (Deficiency) of Revenues Over Expenditures	(4,312)	(829)	(84)	77	(4,029)	—	8,103
OTHER FINANCING SOURCES (USES)							
Transfers In from Other Funds	—	—	89	—	—	—	497
Transfers (Out to) Other Funds	—	—	—	—	—	—	(6,037)
Total Other Financing Sources and Uses	—	—	89	—	—	—	(5,540)
Net Change in Fund Balances	(4,312)	(829)	5	77	(4,029)	—	2,563
Fund Balances - Beginning of Year	7,940	12,750	181	1,099	38,084	—	122,993
Fund Balances - End of Year	\$ 3,628	\$ 11,921	\$ 186	\$ 1,176	\$ 34,055	\$ —	\$ 125,556

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

Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Second Injury			Fishermen's		
	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
REVENUES						
Unrestricted:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	1,455	840	615
Charges for Services	—	—	—	—	—	—
Fines and Forfeitures	—	—	—	—	—	—
Rents and Royalties	—	—	—	—	—	—
Premiums and Contributions	3,257	3,258	(1)	—	—	—
Interest and Investment Income (Loss)	—	—	—	—	—	—
Other Revenues	—	—	—	4	4	—
Restricted:						
Federal Grants in Aid	—	—	—	—	—	—
Total Revenues	<u>3,257</u>	<u>3,258</u>	<u>(1)</u>	<u>1,459</u>	<u>844</u>	<u>615</u>
EXPENDITURES						
Current:						
General Government	—	—	—	—	—	—
Education	—	—	—	—	—	—
University	—	—	—	—	—	—
Health and Human Services	3,415	2,645	770	1,459	825	634
Law and Justice	—	—	—	—	—	—
Public Protection	—	—	—	—	—	—
Natural Resources	—	—	—	—	—	—
Development	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Total Expenditures	<u>3,415</u>	<u>2,645</u>	<u>770</u>	<u>1,459</u>	<u>825</u>	<u>634</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(158)</u>	<u>613</u>	<u>(771)</u>	<u>—</u>	<u>19</u>	<u>(19)</u>
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	—	—	—	—	—	—
Transfers (Out to) Other Funds	—	—	—	—	—	—
Total Other Financing Sources and Uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ (158)</u>	<u>613</u>	<u>\$ (771)</u>	<u>\$ —</u>	<u>19</u>	<u>\$ (19)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING						
Adjust Expenditures for Encumbrances		<u>—</u>			<u>—</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		<u>613</u>			<u>19</u>	
Fund Balances - Beginning of Year		<u>4,371</u>			<u>11,789</u>	
Fund Balances - End of Year		<u>\$ 4,984</u>			<u>\$ 11,808</u>	

This statement continued on 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, 2018
 (Stated in Thousands)

	Fish and Game			School		
	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
REVENUES						
Unrestricted:						
Taxes	\$ —	\$ —	\$ —	\$ 18,600	\$ 15,782	\$ 2,818
Licenses and Permits	36,827	35,763	1,064	—	—	—
Charges for Services	418	406	12	—	—	—
Fines and Forfeitures	109	106	3	—	—	—
Rents and Royalties	—	—	—	—	—	—
Premiums and Contributions	—	—	—	—	—	—
Interest and Investment Income (Loss)	284	276	8	—	—	—
Other Revenues	1,005	976	29	—	—	—
Restricted:						
Federal Grants in Aid	—	—	—	—	—	—
Total Revenues	<u>38,643</u>	<u>37,527</u>	<u>1,116</u>	<u>18,600</u>	<u>15,782</u>	<u>2,818</u>
EXPENDITURES						
Current:						
General Government	—	—	—	—	—	—
Education	—	—	—	18,599	18,599	—
University	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Law and Justice	—	—	—	—	—	—
Public Protection	200	200	—	—	—	—
Natural Resources	38,143	33,577	4,566	—	—	—
Development	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Total Expenditures	<u>38,343</u>	<u>33,777</u>	<u>4,566</u>	<u>18,599</u>	<u>18,599</u>	<u>—</u>
Excess (Deficiency) of Revenues Over Expenditures	300	3,750	(3,450)	1	(2,817)	2,818
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	408	408	—	—	—	—
Transfers (Out to) Other Funds	(6,211)	(6,037)	(174)	—	—	—
Total Other Financing Sources and Uses	<u>(5,803)</u>	<u>(5,629)</u>	<u>(174)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ (5,503)</u>	<u>(1,879)</u>	<u>\$ (3,624)</u>	<u>\$ 1</u>	<u>(2,817)</u>	<u>\$ 2,818</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING						
Adjust Expenditures for Encumbrances		<u>830</u>			<u>—</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(1,049)			(2,817)	
Fund Balances - Beginning of Year		<u>21,729</u>			<u>9,330</u>	
Fund Balances - End of Year		<u>\$ 20,680</u>			<u>\$ 6,513</u>	

This statement continued on 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, 2018
 (Stated in Thousands)

	National Petroleum Reserve			Clean Air Protection		
	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
REVENUES						
Unrestricted:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	4,656	3,642	1,014
Charges for Services	—	—	—	—	—	—
Fines and Forfeitures	—	—	—	—	—	—
Rents and Royalties	71,278	23,662	47,616	—	—	—
Premiums and Contributions	—	—	—	—	—	—
Interest and Investment Income (Loss)	—	—	—	—	—	—
Other Revenues	—	—	—	—	—	—
Restricted:						
Federal Grants in Aid	—	—	—	—	—	—
Total Revenues	<u>71,278</u>	<u>23,662</u>	<u>47,616</u>	<u>4,656</u>	<u>3,642</u>	<u>1,014</u>
EXPENDITURES						
Current:						
General Government	36	51	(15)	577	506	71
Education	60	—	60	—	—	—
University	—	—	—	—	—	—
Health and Human Services	103	—	103	—	—	—
Law and Justice	—	—	—	—	—	—
Public Protection	480	462	18	—	—	—
Natural Resources	226	47	179	4,079	3,399	680
Development	10,850	7,020	3,830	—	—	—
Transportation	—	—	—	—	—	—
Total Expenditures	<u>11,755</u>	<u>7,580</u>	<u>4,175</u>	<u>4,656</u>	<u>3,905</u>	<u>751</u>
Excess (Deficiency) of Revenues Over Expenditures	59,523	16,082	43,441	—	(263)	263
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	—	—	—	—	—	—
Transfers (Out to) Other Funds	—	—	—	—	—	—
Total Other Financing Sources and Uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ 59,523</u>	<u>16,082</u>	<u>\$ 43,441</u>	<u>\$ —</u>	<u>(263)</u>	<u>\$ 263</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING						
Adjust Expenditures for Encumbrances		<u>1,522</u>			<u>—</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		17,604			(263)	
Fund Balances - Beginning of Year		<u>7,559</u>			<u>2,147</u>	
Fund Balances - End of Year		<u>\$ 25,163</u>			<u>\$ 1,884</u>	

This statement continued on 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, 2018
 (Stated in Thousands)

	Exxon Valdez Oil Spill Restoration			Alyeska Settlement Trust		
	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
REVENUES						
Unrestricted:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeitures	—	—	—	—	—	—
Rents and Royalties	—	—	—	—	—	—
Premiums and Contributions	—	—	—	—	—	—
Interest and Investment Income (Loss)	—	32	(32)	—	67	(67)
Other Revenues	—	—	—	—	—	—
Restricted:						
Federal Grants in Aid	—	—	—	—	—	—
Total Revenues	—	32	(32)	—	67	(67)
EXPENDITURES						
Current:						
General Government	—	—	—	—	—	—
Education	—	—	—	—	—	—
University	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Law and Justice	400	—	400	—	—	—
Public Protection	—	—	—	—	—	—
Natural Resources	—	—	—	—	—	—
Development	—	—	—	—	—	—
Transportation	2,653	2,653	—	4,379	4,379	—
Total Expenditures	3,053	2,653	400	4,379	4,379	—
Excess (Deficiency) of Revenues Over Expenditures	(3,053)	(2,621)	(432)	(4,379)	(4,312)	(67)
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	—	—	—	—	—	—
Transfers (Out to) Other Funds	—	—	—	—	—	—
Total Other Financing Sources and Uses	—	—	—	—	—	—
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	\$ (3,053)	(2,621)	\$ (432)	\$ (4,379)	(4,312)	\$ (67)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING						
Adjust Expenditures for Encumbrances	—	—	—	—	—	—
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis	—	(2,621)	—	—	(4,312)	—
Fund Balances - Beginning of Year	—	4,004	—	—	7,940	—
Fund Balances - End of Year	—	\$ 1,383	—	—	\$ 3,628	—

This statement continued on 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, 2018
 (Stated in Thousands)

	Exxon Valdez Settlement Trust			Mine Reclamation Trust		
	Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
REVENUES						
Unrestricted:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeitures	—	—	—	—	—	—
Rents and Royalties	—	—	—	—	—	—
Premiums and Contributions	23,971	16,839	7,132	—	—	—
Interest and Investment Income (Loss)	—	119	(119)	1,134	81	1,053
Other Revenues	1	1	—	—	—	—
Restricted:						
Federal Grants in Aid	—	—	—	—	—	—
Total Revenues	<u>23,972</u>	<u>16,959</u>	<u>7,013</u>	<u>1,134</u>	<u>81</u>	<u>1,053</u>
EXPENDITURES						
Current:						
General Government	7	—	7	—	—	—
Education	—	—	—	—	—	—
University	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Law and Justice	—	—	—	—	—	—
Public Protection	—	—	—	—	—	—
Natural Resources	40,051	24,612	15,439	32	4	28
Development	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Total Expenditures	<u>40,058</u>	<u>24,612</u>	<u>15,446</u>	<u>32</u>	<u>4</u>	<u>28</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,086)	(7,653)	(8,433)	1,102	77	1,025
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	—	—	—	—	—	—
Transfers (Out to) Other Funds	—	—	—	—	—	—
Total Other Financing Sources and Uses	—	—	—	—	—	—
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ (16,086)</u>	<u>(7,653)</u>	<u>\$ (8,433)</u>	<u>\$ 1,102</u>	<u>77</u>	<u>\$ 1,025</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING						
Adjust Expenditures for Encumbrances		<u>6,824</u>			<u>—</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(829)			77	
Fund Balances - Beginning of Year		<u>12,750</u>			<u>1,099</u>	
Fund Balances - End of Year		<u>\$ 11,921</u>			<u>\$ 1,176</u>	

This statement continued on 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, 2018
 (Stated in Thousands)

	Alaska State Council on the Arts			Funds Not Annually Budgeted		
	Budget	Actual	Variance with Budget	Reclamation Bonding Pool	Northern Tobacco Securitization Corporation	Alaska Housing Capital Corporation
				Actual	Actual	Actual
REVENUES						
Unrestricted:						
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—	—
Charges for Services	11	2	9	138	—	—
Fines and Forfeitures	—	—	—	—	—	—
Rents and Royalties	—	—	—	—	—	—
Premiums and Contributions	1,222	1,139	83	—	—	—
Interest and Investment Income (Loss)	—	—	—	27	—	311
Other Revenues	—	—	—	—	—	—
Restricted:						
Federal Grants in Aid	806	752	54	—	—	—
Total Revenues	<u>2,039</u>	<u>1,893</u>	<u>146</u>	<u>165</u>	<u>—</u>	<u>311</u>
EXPENDITURES						
Current:						
General Government	—	—	—	—	84	—
Education	2,039	1,893	146	—	—	6,229
University	—	—	—	—	—	1,779
Health and Human Services	—	—	—	—	—	—
Law and Justice	—	—	—	—	—	—
Public Protection	—	—	—	—	—	716
Natural Resources	—	—	—	—	—	—
Development	—	—	—	—	—	328
Transportation	—	—	—	—	—	764
Total Expenditures	<u>2,039</u>	<u>1,893</u>	<u>146</u>	<u>—</u>	<u>84</u>	<u>9,816</u>
Excess (Deficiency) of Revenues Over Expenditures	—	—	—	165	(84)	(9,505)
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	—	—	—	—	89	—
Transfers (Out to) Other Funds	—	—	—	—	—	—
Total Other Financing Sources and Uses	—	—	—	—	89	—
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>165</u>	<u>5</u>	<u>(9,505)</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING						
Adjust Expenditures for Encumbrances	—	—	—	—	—	5,476
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing	—	—	—	165	5	(4,029)
Fund Balances - Beginning of Year	—	—	—	2,010	181	38,084
Fund Balances - End of Year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>\$ 2,175</u>	<u>\$ 186</u>	<u>\$ 34,055</u>

This statement continued on 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, 2018
(Stated in Thousands)**

REVENUES	Total		
	Budget	Actual	Variance with Budget
Unrestricted:			
Taxes	\$ 18,600	\$ 15,782	\$ 2,818
Licenses and Permits	42,938	40,245	2,693
Charges for Services	429	546	(117)
Fines and Forfeitures	109	106	3
Rents and Royalties	71,278	23,662	47,616
Premiums and Contributions	28,450	21,236	7,214
Interest and Investment Income (Loss)	1,418	913	505
Other Revenues	1,010	981	29
Restricted:			
Federal Grants in Aid	806	752	54
Total Revenues	<u>165,038</u>	<u>104,223</u>	<u>60,815</u>
EXPENDITURES			
Current:			
General Government	620	641	(21)
Education	20,698	26,721	(6,023)
University	—	1,779	(1,779)
Health and Human Services	4,977	3,470	1,507
Law and Justice	400	—	400
Public Protection	680	1,378	(698)
Natural Resources	82,531	61,639	20,892
Development	10,850	7,348	3,502
Transportation	7,032	7,796	(764)
Total Expenditures	<u>127,788</u>	<u>110,772</u>	<u>17,016</u>
Excess (Deficiency) of Revenues Over Expenditures	37,250	(6,549)	43,799
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	408	497	(89)
Transfers (Out to) Other Funds	(6,211)	(6,037)	(174)
Total Other Financing Sources and Uses	<u>(5,803)</u>	<u>(5,540)</u>	<u>(263)</u>
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	<u>\$ 31,447</u>	<u>(12,089)</u>	<u>\$ 43,536</u>
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		<u>14,652</u>	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		2,563	
Fund Balances - Beginning of Year		<u>122,993</u>	
Fund Balances - End of Year		<u>\$ 125,556</u>	

Nonmajor Debt Service Funds

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

- **Alaska Fish and Game Revenue Bond Redemption Fund (Fund 1198)** - AS 37.15.770 - Accounts for accumulation of resources for, and the payment of, principal, interest, redemption premium, and related trustee fees on the Sport Fishing Revenue Bonds.
- **General Obligation Bond Redemption Fund (Fund 3120)** - Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of general obligation bonds.
- **Northern Tobacco Securitization Corporation (NTSC) Bond Redemption Fund (Fund 3256)** - 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

STATEMENT 3.41

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2018

(Stated in Thousands)

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
ASSETS				
Cash and Investments	\$ 122	\$ 35,089	\$ 6,608	\$ 41,819
Due from Other Funds	—	—	965	965
Total Assets	122	35,089	7,573	42,784
LIABILITIES				
Total Liabilities	—	—	—	—
FUND BALANCES				
Restricted for:				
Debt Service	122	35,089	7,573	42,784
Total Fund Balances	122	35,089	7,573	42,784
Total Liabilities and Fund Balances	\$ 122	\$ 35,089	\$ 7,573	\$ 42,784

STATE OF ALASKA

STATEMENT 3.42

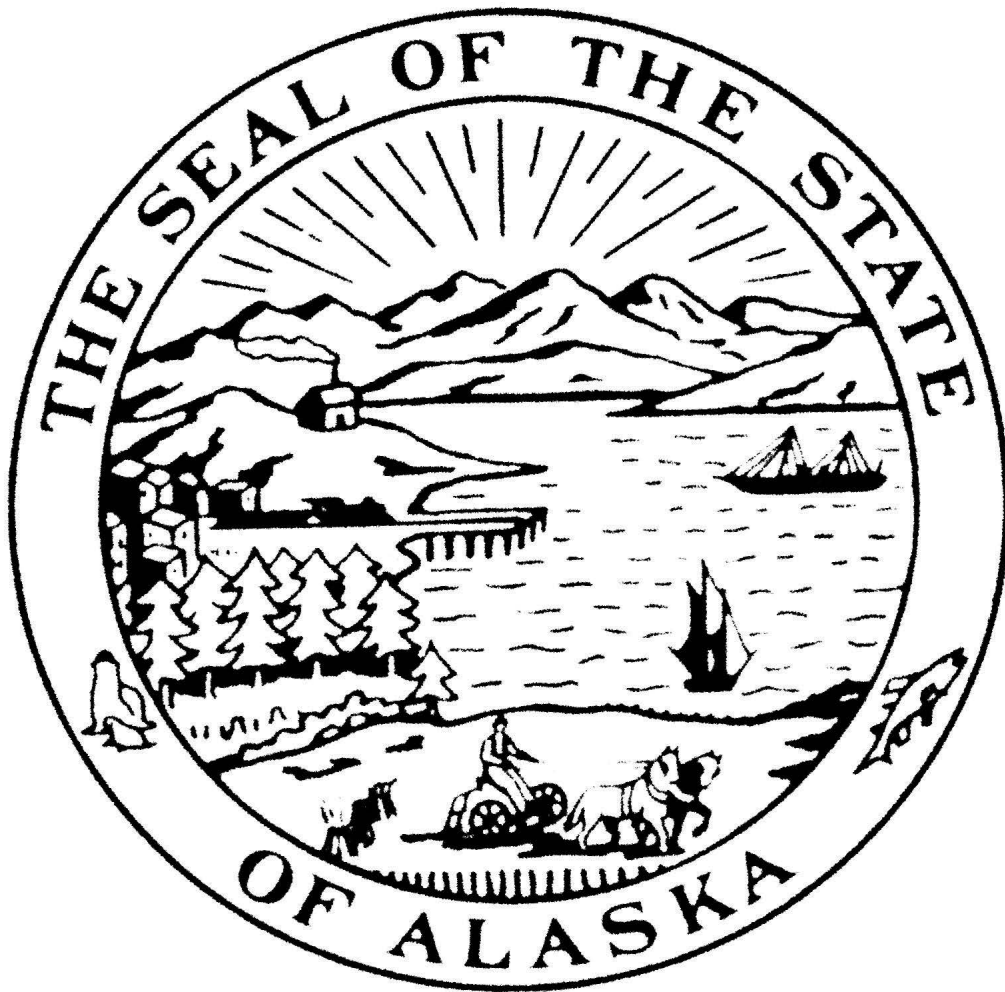
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Debt Service Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
REVENUES				
Interest and Investment Income (Loss)	\$ 24	\$ 609	\$ 82	\$ 715
Other Revenues	—	40,849	—	40,849
Total Revenues	24	41,458	82	41,564
EXPENDITURES				
Debt Service:				
Principal	52,370	26,015	2,830	81,215
Interest and Other Charges	37,343	15,770	986	54,099
Total Expenditures	89,713	41,785	3,816	135,314
Excess (Deficiency) of Revenues Over Expenditures	(89,689)	(327)	(3,734)	(93,750)
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	89,710	—	6,037	95,747
Transfers (Out to) Other Funds	—	(89)	—	(89)
Total Other Financing Sources and Uses	89,710	(89)	6,037	95,658
Net Change in Fund Balances	21	(416)	2,303	1,908
Fund Balances - Beginning of Year	101	35,505	5,270	40,876
Fund Balances - End of Year	\$ 122	\$ 35,089	\$ 7,573	\$ 42,784



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Nonmajor Capital Projects Funds

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

The following are the State's capital projects funds.

- **2008 Transportation Project Fund (GO Bonds) (Fund 3243)** - Chapter 30, SLA 2008 - This fund consists of the proceeds from the sale of \$165,000,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.
- **2010 Education Project Fund (GO Bonds) (Fund 3116)** - Chapter 95, SLA 2010 - This fund consists of the proceeds from the sale of \$375,560,000 of general obligation bonds in 2010 and 2013, and is to be used for the purpose of paying the cost of state education projects.
- **2012 Transportation Project Fund (GO Bonds) (Fund 3154)** - Chapter 18, SLA 2012 - This fund consists of the proceeds from the sale of \$332,480,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.



STATE OF ALASKA

STATEMENT 3.51

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2018

(Stated in Thousands)

	2008 Transportation Projects	2010 Education Projects	2012 Transportation Projects	Total Nonmajor Capital Projects Fund
ASSETS				
Cash and Investments	\$ 6,617	\$ 27,515	\$ 101,351	\$ 135,483
Interest and Dividends Receivable	12	49	179	240
Total Assets	<u>6,629</u>	<u>27,564</u>	<u>101,530</u>	<u>135,723</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	—	56	2,418	2,474
Due to Other Funds	—	3,705	821	4,526
Total Liabilities	<u>—</u>	<u>3,761</u>	<u>3,239</u>	<u>7,000</u>
FUND BALANCES				
Restricted for:				
Education	—	23,803	—	23,803
Development	6,629	—	98,291	104,920
Total Fund Balances	<u>6,629</u>	<u>23,803</u>	<u>98,291</u>	<u>128,723</u>
Total Liabilities and Fund Balances	<u>\$ 6,629</u>	<u>\$ 27,564</u>	<u>\$ 101,530</u>	<u>\$ 135,723</u>

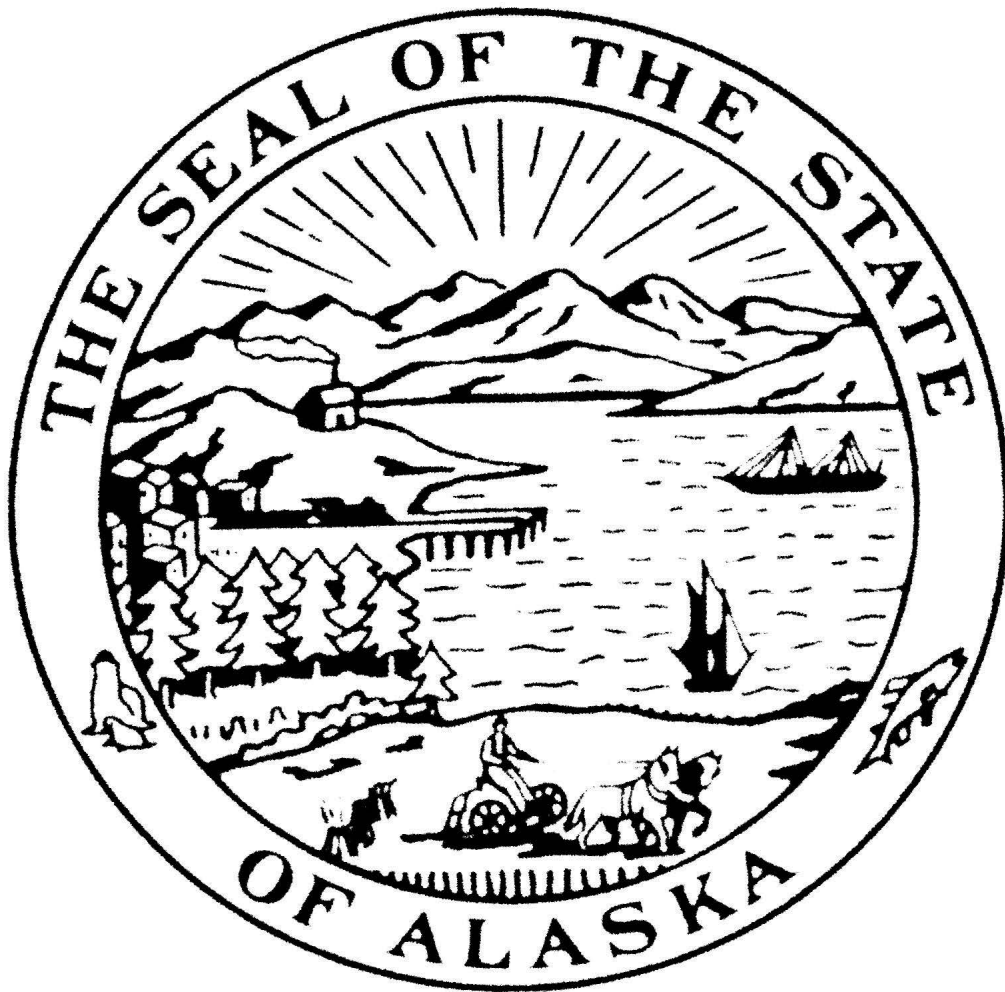
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Capital Projects Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	2008 Transportation Projects	2010 Education Projects	2012 Transportation Projects	Total Nonmajor Capital Projects Fund
REVENUES				
Interest and Investment Income (Loss)	\$ 100	\$ 508	\$ 1,700	\$ 2,308
Total Revenues	100	508	1,700	2,308
EXPENDITURES				
Current:				
Education	—	19,348	—	19,348
Transportation	7	—	29,513	29,520
Total Expenditures	7	19,348	29,513	48,868
Excess (Deficiency) of Revenues Over Expenditures	93	(18,840)	(27,813)	(46,560)
OTHER FINANCING SOURCES (USES)				
Transfers (Out to) Other Funds	(10)	(66)	(226)	(302)
Total Other Financing Sources and Uses	(10)	(66)	(226)	(302)
Net Changes in Fund Balances	83	(18,906)	(28,039)	(46,862)
Fund Balances - Beginning of Year	6,546	42,709	126,330	175,585
Fund Balances - End of Year	\$ 6,629	\$ 23,803	\$ 98,291	\$ 128,723



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Nonmajor Enterprise Funds

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

COMMERCIAL ASSISTANCE ENTERPRISE FUNDS

- **Alaska Capstone Avionics Revolving Loan Fund (Fund 1209)** - AS 44.33.655 - Administered by the Department of Commerce, Community, and Economic Development (DCCED). The purpose of this fund is to provide low interest loans to qualified applicants for the purpose of purchasing and installing capstone avionics equipment, to increase the safety of air carrier, air taxi, and general aviation intrastate air transportation.
- **Alaska Microloan Revolving Loan Fund (Fund 1227)** - AS 44.33.950 - Administered by DCCED. The purpose of this fund is to make loans to be used for working capital, equipment, construction or other commercial purposes by a business located in the state.
- **Commercial Charter Fisheries Revolving Loan Fund (Fund 1223)** - AS 16.10.801 - Administered by DCCED. The purpose of this fund is to make loans for the purchase of charter halibut permits and to refinance debt obligations for the purchase of halibut fishing vessels or gear.
- **Commercial Fishing Revolving Loan Fund (Fund 1036)** - AS 16.10.340 - Administered by DCCED. The purpose of this fund is to promote the development and continued maintenance of commercial fishing gear and vessels by means of long-term, low interest loans.
- **Community Quota Entity Revolving Loan Fund (Fund 1225)** - AS 16.10.345 - Administered by DCCED. The purpose of this fund is to make loans for the purchase of fishing quota shares by a community quota entity eligible under federal statute or regulation to purchase the fishing quota shares if the entity is not eligible or qualified for financing from other recognized commercial lending institutions.
- **Fisheries Enhancement Revolving Loan Fund (Fund 1070)** - AS 16.10.505 - Administered by DCCED. The purpose of this fund is to promote the enhancement of the State's fisheries by means of long-term, low interest loans for hatchery planning, construction, and operation.
- **Mariculture Revolving Loan Fund (Fund 1224)** - AS 16.10.900 - Administered by DCCED. The purpose of this fund is to make loans to eligible applicants for the planning, construction and operation of a mariculture business.
- **Mining Revolving Loan Fund (Fund 1067)** - AS 27.09.010 - Administered by DCCED. This fund consists of money appropriated by the legislature for loans to underwrite advanced mineral exploration, development, or mining.

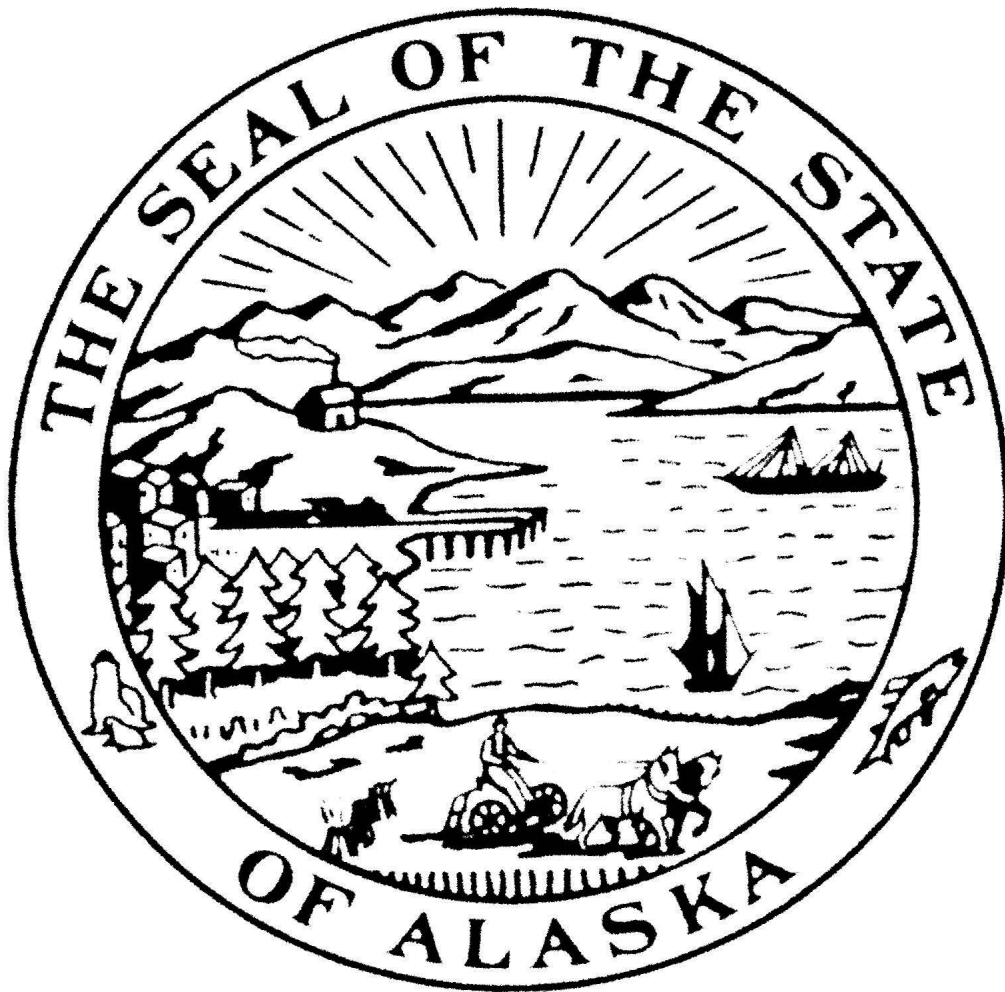
ENERGY ASSISTANCE ENTERPRISE FUNDS

- **Alternative Energy Conservation Revolving Loan Fund (Fund 1071)** - AS 45.88.010 - Administered by DCCED. This fund consists of monies appropriated by the legislature for the purpose of developing energy production utilizing one or more alternative energy systems and to purchase, construct, and install energy conservation improvements in commercial buildings.
- **Bulk Fuel Revolving Loan Fund (Fund 3385)** - AS 42.45.250 - Administered by DCCED. The purpose of this fund is to assist communities, utilities providing power in communities, fuel retailers, and other persons in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities.

OTHER AGENCIES ENTERPRISE FUNDS

- **Agricultural Revolving Loan Fund (Fund 1021)** - AS 03.10.040 - Administered by the Department of Natural Resources. The purpose of this fund is to promote the development of agriculture as an industry throughout the State by means of long-term, low interest loans.
- **Alaska Clean Water Fund (Fund 1075)** - AS 46.03.032 - Administered by the Department of Environmental Conservation. The fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities and to provide financial assistance for this purpose.
- **Alaska Drinking Water Fund (Fund 3129)** - AS 46.03.036 - Administered by the Department of Environmental Conservation. The fund consists of federal capitalization grants. The capitalization grants are divided between two purposes: (1) part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; (2) the other part is to be used or set aside for non-project activities.
- **Alcoholism and Drug Abuse Revolving Loan Fund (Fund 1013)** - AS 44.29.210 - Administered by the Department of Health and Social Services. This fund is required under 42 U.S.C. 300x-25 to qualify the State to receive block grant money from the United States Department of Health and Human Services under 42 U.S.C. 300x-21. Money in the fund may be used to make loans to private nonprofit organizations for the cost of establishing programs to help pay the living expenses of individuals recovering from alcohol or drug abuse who may reside in group homes.
- **Retiree Health (Fund 3133)** – AS 39.35.535, AS 14.25.168, AS 22.25.090 – Administered by the Department of Administration. The State has 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.
- **Unemployment Compensation Fund (Fund 3284)** - AS 23.20.130 - Administered by the Department of Labor and Workforce Development. This federal trust fund is established and maintained in the United States Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.





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STATE OF ALASKA

STATEMENT 4.01

Combining Statement of Net Position

Nonmajor Enterprise Funds

June 30, 2018

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 81,277	\$ 25,581	\$ 1,206,978	\$ 1,313,836
Accounts Receivable - Net	—	—	13,008	13,008
Interest and Dividends Receivable	4,693	3	1,827	6,523
Due from Other Funds	33	—	1,339	1,372
Due from Other Governments	—	—	215	215
Loans, Notes, and Bonds Receivable	9,963	493	24,731	35,187
Other Current Assets	3	—	—	3
Total Current Assets	95,969	26,077	1,248,098	1,370,144
Noncurrent Assets:				
Interest and Dividends Receivable	8,168	—	—	8,168
Loans, Notes, and Bonds Receivable	135,880	1,812	289,007	426,699
Reposessed Property	849	—	1	850
Net OPEB Asset	9	—	—	9
Other Noncurrent Assets	—	—	2,335	2,335
Total Noncurrent Assets	144,906	1,812	291,343	438,061
Total Assets	240,875	27,889	1,539,441	1,808,205
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	338	4	16	358
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	188	—	15,824	16,012
Due to Other Funds	78	5	1,380	1,463
Due to Other Governments	—	—	2,507	2,507
Claims, Judgments, Compensated Absences, and Pollution Remediation	170	—	61	231
Other Current Liabilities	—	—	6,993	6,993
Total Current Liabilities	436	5	26,765	27,206
Noncurrent Liabilities:				
Net Pension Liabilities	2,487	27	115	2,629
Net OPEB Liabilities	411	5	19	435
Other Noncurrent Liabilities	—	—	23,672	23,672
Total Noncurrent Liabilities	2,898	32	23,806	26,736
Total Liabilities	3,334	37	50,571	53,942
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	565	6	26	597
NET POSITION				
Restricted for:				
Unemployment Compensation	—	—	451,316	451,316
Health and Human Services	—	—	509,265	509,265
Other Purposes	—	—	227	227
Unrestricted	237,314	27,850	528,052	793,216
Total Net Position	\$ 237,314	\$ 27,850	\$ 1,488,860	\$ 1,754,024

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Premiums and Contributions	\$ —	\$ —	\$ 203,606	\$ 203,606
Charges for Goods and Services	259	—	1,357	1,616
Interest and Investment Income	5,673	138	3,120	8,931
Allowance for Uncollectible Interest	103	—	—	103
Fines and Forfeitures	49	—	2,882	2,931
Allowance for Uncollectible Fines	—	—	(1,503)	(1,503)
Other Operating Revenues	—	—	61	61
Total Operating Revenues	<u>6,084</u>	<u>138</u>	<u>209,523</u>	<u>215,745</u>
OPERATING EXPENSES				
Benefits	—	—	190,266	190,266
Operating	3,341	42	4,445	7,828
Provision for Loan Losses and Forgiveness	(953)	(258)	—	(1,211)
Total Operating Expenses	<u>2,388</u>	<u>(216)</u>	<u>194,711</u>	<u>196,883</u>
Operating Income (Loss)	<u>3,696</u>	<u>354</u>	<u>14,812</u>	<u>18,862</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	170	242	33,782	34,194
Interest and Investment Expense	—	—	(100)	(100)
Other Nonoperating Revenues (Expenses)	—	—	(1,811)	(1,811)
Total Nonoperating Revenues (Expenses)	<u>170</u>	<u>242</u>	<u>31,871</u>	<u>32,283</u>
Income Before Capital Contributions and Transfers	<u>3,866</u>	<u>596</u>	<u>46,683</u>	<u>51,145</u>
Capital Contributions	—	—	5,088	5,088
Transfers In from Other Funds	410	—	—	410
Transfers (Out to) Other Funds	(410)	—	—	(410)
Change in Net Position	<u>3,866</u>	<u>596</u>	<u>51,771</u>	<u>56,233</u>
Total Net Position - Beginning of Year (Restated)	<u>233,448</u>	<u>27,254</u>	<u>1,437,089</u>	<u>1,697,791</u>
Total Net Position - End of Year	<u>\$ 237,314</u>	<u>\$ 27,850</u>	<u>\$ 1,488,860</u>	<u>\$ 1,754,024</u>

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	\$ —	\$ —	\$ 868	\$ 868
Receipts from Customers	147	—	—	147
Receipt of Principal from Loan Recipients	18,743	11,764	25,754	56,261
Receipt of Interest and Fees from Loan Recipients	6,384	141	4,981	11,506
Receipts from Insured	—	—	204,414	204,414
Payments to Employees	(3,179)	(40)	(1,413)	(4,632)
Payments to Suppliers	—	—	(2,834)	(2,834)
Payments to Other Governments	—	—	(968)	(968)
Payments to Loan Recipients	(20,695)	(9,878)	(15,306)	(45,879)
Claims Paid	—	—	(181,148)	(181,148)
Payments for Interfund Services Used	(652)	(2)	—	(654)
Other Receipts	12	—	609	621
Other Payments	(370)	(2)	—	(372)
Net Cash Provided (Used) by Operating Activities	390	1,983	34,957	37,330
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	(9,465)	—	(1,814)	(11,279)
Proceeds from Issuance of Short-term Debt	—	—	3,231	3,231
Payments on Short-term Debt	—	—	(3,231)	(3,231)
Interest and Fees Paid on Borrowing	—	—	(6)	(6)
Net Cash Provided (Used) by Noncapital Financing Activities	(9,465)	—	(1,820)	(11,285)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Federal Grants	—	—	5,088	5,088
Other Receipts (Payments)	—	—	3	3
Net Cash Provided (Used) by Capital and Related Financing Activities	—	—	5,091	5,091

This statement continues on the next page.

Combining Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	—	—	126,203	126,203
Purchase of Investments	—	—	(149,431)	(149,431)
Interest and Dividends on Investments	173	242	21,993	22,408
Net Cash Provided (Used) by Investing Activities	173	242	(1,235)	(820)
Net Increase (Decrease) in Cash	(8,902)	2,225	36,993	30,316
Cash and Cash Equivalents - Beginning of Year	90,179	23,356	672,886	786,421
Cash and Cash Equivalents - End of Year	\$ 81,277	\$ 25,581	\$ 709,879	\$ 816,737

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ 3,696	\$ 354	\$ 14,812	\$ 18,862
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Accounts Receivable - Net	—	—	6,026	6,026
Due from Other Funds	37	65	12	114
Due from Other Governments	—	—	55	55
Loans, Notes, and Bonds Receivable - Net	(3,445)	1,563	9,173	7,291
Repossessed Property	9	—	—	9
Interest and Dividends Receivable - Net	534	3	313	850
Net OPEB Asset	5	—	—	5
Other Assets	—	—	1,233	1,233
Deferred Outflows of Resources	(495)	(1)	100	(396)
Due to Other Funds	47	5	(164)	(112)
Due to Other Governments	—	—	(47)	(47)
Accounts Payable and Accrued Liabilities	(107)	—	(314)	(421)
Net Pension Liability	(224)	(5)	(442)	(671)
Net OPEB Liability	(115)	5	(10)	(120)
Other Liabilities	(1)	—	4,190	4,189
Deferred Inflows of Resources	449	(6)	20	463
Net Cash Provided (Used) by Operating Activities	\$ 390	\$ 1,983	\$ 34,957	\$ 37,330

Reconciliation of Cash to the Statement of Net Position:

Total Cash and Investments per the Statement of Net Position	81,277	25,581	1,206,978	1,313,836
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	—	—	(497,099)	(497,099)
Cash, End of Year	\$ 81,277	\$ 25,581	\$ 709,879	\$ 816,737

Noncash Investing, Capital, and Financing Activities:

Transfers (Out to) Other Funds (Accrual)	(410)	—	—	(410)
Transfers In from Other Funds (Accrual)	410	—	—	410

STATE OF ALASKA

STATEMENT 4.11

Combining Statement of Net Position

Commercial Assistance Enterprise Funds

June 30, 2018

(Stated in Thousands)

	Alaska Microloan Revolving Loan	Commercial Fishing Revolving Loan	Commercial Charter Fisheries Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan
ASSETS					
Current Assets:					
Cash and Investments	\$ 2,409	\$ 30,539	\$ 5,086	\$ 33,609	\$ 202
Interest and Dividends Receivable	3	3,017	1	1,669	—
Due from Other Funds	—	33	—	—	—
Loans, Notes, and Bonds Receivable	20	7,443	—	2,487	—
Other Current Assets	—	3	—	—	—
Total Current Assets	2,432	41,035	5,087	37,765	202
Noncurrent Assets:					
Interest and Dividends Receivable	—	978	—	7,129	—
Loans, Notes, and Bonds Receivable	172	77,390	26	57,441	—
Reposessed Property	—	75	—	774	—
Net OPEB Asset	—	8	—	1	—
Total Noncurrent Assets	172	78,451	26	65,345	—
Total Assets	2,604	119,486	5,113	103,110	202
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	1	285	1	41	—
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	—	184	—	3	—
Due to Other Funds	1	—	2	59	—
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	170	—	—	—
Total Current Liabilities	1	354	2	62	—
Noncurrent Liabilities:					
Net Pension Liabilities	5	2,098	10	298	—
Net OPEB Liabilities	1	346	2	49	—
Total Noncurrent Liabilities	6	2,444	12	347	—
Total Liabilities	7	2,798	14	409	—
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	1	477	2	68	—
NET POSITION					
Unrestricted	2,597	116,496	5,098	102,674	202
Total Net Position	\$ 2,597	\$ 116,496	\$ 5,098	\$ 102,674	\$ 202

This statement continues on next page

Combining Statement of Net Position
Commercial Assistance Enterprise Funds
June 30, 2018
(Stated in Thousands)

	Alaska Capstone Avionics Revolving Loan	Community Quota Entity Revolving Loan	Mariculture Revolving Loan	Total Commercial Assistance Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	\$ 5,069	\$ —	\$ 4,363	\$ 81,277
Interest and Dividends Receivable	2	—	1	4,693
Due from Other Funds	—	—	—	33
Loans, Notes, and Bonds Receivable	7	—	6	9,963
Other Current Assets	—	—	—	3
Total Current Assets	5,078	—	4,370	95,969
Noncurrent Assets:				
Interest and Dividends Receivable	—	—	61	8,168
Loans, Notes, and Bonds Receivable	138	—	713	135,880
Reposessed Property	—	—	—	849
Net OPEB Asset	—	—	—	9
Total Noncurrent Assets	138	—	774	144,906
Total Assets	5,216	—	5,144	240,875
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	9	—	1	338
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	1	—	—	188
Due to Other Funds	13	—	3	78
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	—	—	170
Total Current Liabilities	14	—	3	436
Noncurrent Liabilities:				
Net Pension Liabilities	66	—	10	2,487
Net OPEB Liabilities	11	—	2	411
Total Noncurrent Liabilities	77	—	12	2,898
Total Liabilities	91	—	15	3,334
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	15	—	2	565
NET POSITION				
Unrestricted	5,119	—	5,128	237,314
Total Net Position	\$ 5,119	\$ —	\$ 5,128	\$ 237,314

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

Commercial Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alaska Microloan Revolving Loan	Commercial Fishing Revolving Loan	Commercial Charter Fisheries Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan
OPERATING REVENUES					
Charges for Goods and Services	\$ 1	\$ 193	\$ —	\$ 62	\$ —
Interest and Investment Income	11	4,219	2	1,410	—
Allowance for Uncollectible Interest	—	(177)	—	281	—
Fines and Forfeitures	1	48	—	—	—
Total Operating Revenues	13	4,283	2	1,753	—
OPERATING EXPENSES					
Operating	7	2,714	16	482	—
Provision for Loan Losses and Forgiveness	1	(1,018)	—	59	(2)
Total Operating Expenses	8	1,696	16	541	(2)
Operating Income (Loss)	5	2,587	(14)	1,212	2
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	23	—	50	—	—
Total Nonoperating Revenues (Expenses)	23	—	50	—	—
Income Before Capital Contributions and Transfers	28	2,587	36	1,212	2
Transfers In from Other Funds	—	410	—	—	—
Transfers (Out to) Other Funds	—	—	—	—	—
Change in Net Position	28	2,997	36	1,212	2
Total Net Position - Beginning of Year (Restated)	2,569	113,499	5,062	101,462	200
Total Net Position - End of Year	\$ 2,597	\$ 116,496	\$ 5,098	\$ 102,674	\$ 202

This statement continues on next page

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

Commercial Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alaska Capstone Avionics Revolving Loan	Community Quota Entity Revolving Loan	Mariculture Revolving Loan	Total Commercial Assistance Enterprise Funds
OPERATING REVENUES				
Charges for Goods and Services	\$ —	\$ —	\$ 3	\$ 259
Interest and Investment Income	6	—	25	5,673
Allowance for Uncollectible Interest	—	—	(1)	103
Fines and Forfeitures	—	—	—	49
Total Operating Revenues	<u>6</u>	<u>—</u>	<u>27</u>	<u>6,084</u>
OPERATING EXPENSES				
Operating	106	—	16	3,341
Provision for Loan Losses and Forgiveness	(1)	—	8	(953)
Total Operating Expenses	<u>105</u>	<u>—</u>	<u>24</u>	<u>2,388</u>
Operating Income (Loss)	<u>(99)</u>	<u>—</u>	<u>3</u>	<u>3,696</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	52	—	45	170
Total Nonoperating Revenues (Expenses)	<u>52</u>	<u>—</u>	<u>45</u>	<u>170</u>
Income Before Capital Contributions and Transfers	(47)	—	48	3,866
Transfers In from Other Funds	—	—	—	410
Transfers (Out to) Other Funds	—	(410)	—	(410)
Change in Net Position	<u>(47)</u>	<u>(410)</u>	<u>48</u>	<u>3,866</u>
Total Net Position - Beginning of Year (Restated)	5,166	410	5,080	233,448
Total Net Position - End of Year	<u>\$ 5,119</u>	<u>\$ —</u>	<u>\$ 5,128</u>	<u>\$ 237,314</u>

Combining Statement of Cash Flows

Commercial Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alaska Microloan Revolving Loan	Commercial Fishing Revolving Loan	Commercial Charter Fisheries Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ —	\$ 21	\$ —	\$ 126	\$ —
Receipts of Principal from Loan Recipients	52	13,981	—	4,685	—
Receipt of Interest and Fees from Loan Recipients	14	4,126	2	2,235	—
Payments to Employees	(7)	(2,602)	(13)	(446)	—
Payments to Loan Recipients	(93)	(13,833)	—	(6,515)	—
Payments for Interfund Services Used	(1)	(552)	(1)	(86)	—
Other Receipts	—	12	—	—	—
Other Payments	—	(331)	(1)	(30)	—
Net Cash Provided (Used) by Operating Activities	(35)	822	(13)	(31)	—
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Subsidies and Transfers (Out to) Other Funds	—	—	—	—	—
Net Cash Provided (Used) by Noncapital Financing Activities	—	—	—	—	—
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends on Investments	25	—	51	—	—
Net Cash Provided (Used) by Investing Activities	25	—	51	—	—
Net Increase (Decrease) in Cash	(10)	822	38	(31)	—
Cash and Cash Equivalents - Beginning of Year	2,419	29,717	5,048	33,640	202
Cash and Cash Equivalents - End of Year	\$ 2,409	\$ 30,539	\$ 5,086	\$ 33,609	\$ 202
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 5	\$ 2,587	\$ (14)	\$ 1,212	\$ 2
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
Due From Other Funds	—	37	—	—	—
Loans, Notes and Bonds Receivable - Net	(40)	(1,367)	—	(1,817)	—
Repossessed Property	—	(40)	—	49	—
Interest and Dividends Receivable - Net	—	15	—	545	—
Net OPEB Asset	—	—	—	1	—
Deferred Outflows of Resources	—	(467)	2	(21)	—
Due to Other Funds	1	—	(1)	41	(2)
Accounts Payable and Accrued Liabilities	(1)	(33)	2	(57)	—
Net Pension Liability	—	(231)	2	(10)	—
Net OPEB Liability	(1)	(54)	(2)	(49)	—
Other Liabilities	—	—	—	—	—
Deferred Inflows of Resources	1	375	(2)	75	—
Net Cash Provided (Used) by Operating Activities	\$ (35)	\$ 822	\$ (13)	\$ (31)	\$ —
Reconciliation of Cash to the Statement of Net Position					
Total Cash and Investments per the Statement of Net Position	\$ 2,409	\$ 30,539	\$ 5,086	\$ 33,609	\$ 202
Cash, End of Year	\$ 2,409	\$ 30,539	\$ 5,086	\$ 33,609	\$ 202
Noncash Investing, Capital, and Financing Activities:					
Transfers (Out to) Other Funds (Accrual)	—	—	—	—	—
Transfers In from Other Funds (Accrual)	—	410	—	—	—

This statement continues on next page

Combining Statement of Cash Flows

Commercial Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alaska Capstone Avionics Revolving Loan	Community Quota Entity Revolving Loan	Mariculture Revolving Loan	Total Commercial Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ —	\$ —	\$ —	\$ 147
Receipts of Principal from Loan Recipients	25	—	—	18,743
Receipt of Interest and Fees from Loan Recipients	5	—	2	6,384
Payments to Employees	(95)	(4)	(12)	(3,179)
Payments to Loan Recipients	(10)	—	(244)	(20,695)
Payments for Interfund Services Used	(9)	(1)	(2)	(652)
Other Receipts	—	—	—	12
Other Payments	(7)	—	(1)	(370)
Net Cash Provided (Used) by Operating Activities	(91)	(5)	(257)	390
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	—	(9,465)	—	(9,465)
Net Cash Provided (Used) by Noncapital Financing Activities	—	(9,465)	—	(9,465)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	52	—	45	173
Net Cash Provided (Used) by Investing Activities	52	—	45	173
Net Increase (Decrease) in Cash	(39)	(9,470)	(212)	(8,902)
Cash and Cash Equivalents - Beginning of Year	5,108	9,470	4,575	90,179
Cash and Cash Equivalents - End of Year	\$ 5,069	\$ —	\$ 4,363	\$ 81,277
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (99)	\$ —	\$ 3	\$ 3,696
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
Liabilities, and Deferred Inflows of Resources:				
Due From Other Funds	—	—	—	37
Loans, Notes and Bonds Receivable - Net	13	—	(234)	(3,445)
Repossessed Property	—	—	—	9
Interest and Dividends Receivable - Net	(1)	—	(25)	534
Net OPEB Asset	4	—	—	5
Deferred Outflows of Resources	(9)	—	—	(495)
Due to Other Funds	9	(1)	—	47
Accounts Payable and Accrued Liabilities	(13)	(4)	(1)	(107)
Net Pension Liability	18	—	(3)	(224)
Net OPEB Liability	(11)	—	2	(115)
Other Liabilities	—	—	(1)	(1)
Deferred Inflows of Resources	(2)	—	2	449
Net Cash Provided (Used) by Operating Activities	\$ (91)	\$ (5)	\$ (257)	\$ 390
Reconciliation of Cash to the Statement of Net Position				
Total Cash and Investments per the Statement of Net Position	\$ 5,069	\$ —	\$ 4,363	\$ 81,277
Cash, End of Year	\$ 5,069	\$ —	\$ 4,363	\$ 81,277
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	—	(410)	—	(410)
Transfers In from Other Funds (Accrual)	—	—	—	410

STATE OF ALASKA
Combining Statement of Net Position
Energy Assistance Enterprise Funds
June 30, 2018
(Stated in Thousands)

STATEMENT 4.21

	Alternative Energy Conservation Revolving Loan	Bulk Fuel Revolving Loan	Total Energy Assistance Enterprise Funds
ASSETS			
Current Assets:			
Cash and Investments	\$ 2,773	\$ 22,808	\$ 25,581
Interest and Dividends Receivable	—	3	3
Loans, Notes, and Bonds Receivable	—	493	493
Total Current Assets	<u>2,773</u>	<u>23,304</u>	<u>26,077</u>
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	—	1,812	1,812
Total Assets	<u>2,773</u>	<u>25,116</u>	<u>27,889</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>—</u>	<u>4</u>	<u>4</u>
LIABILITIES			
Current Liabilities:			
Due to Other Funds	—	5	5
Total Current Liabilities	<u>—</u>	<u>5</u>	<u>5</u>
Noncurrent Liabilities:			
Net Pension Liabilities	—	27	27
Net OPEB Liabilities	—	5	5
Total Noncurrent Liabilities	<u>—</u>	<u>32</u>	<u>32</u>
Total Liabilities	<u>—</u>	<u>37</u>	<u>37</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>—</u>	<u>6</u>	<u>6</u>
NET POSITION			
Unrestricted	2,773	25,077	27,850
Total Net Position	<u>\$ 2,773</u>	<u>\$ 25,077</u>	<u>\$ 27,850</u>

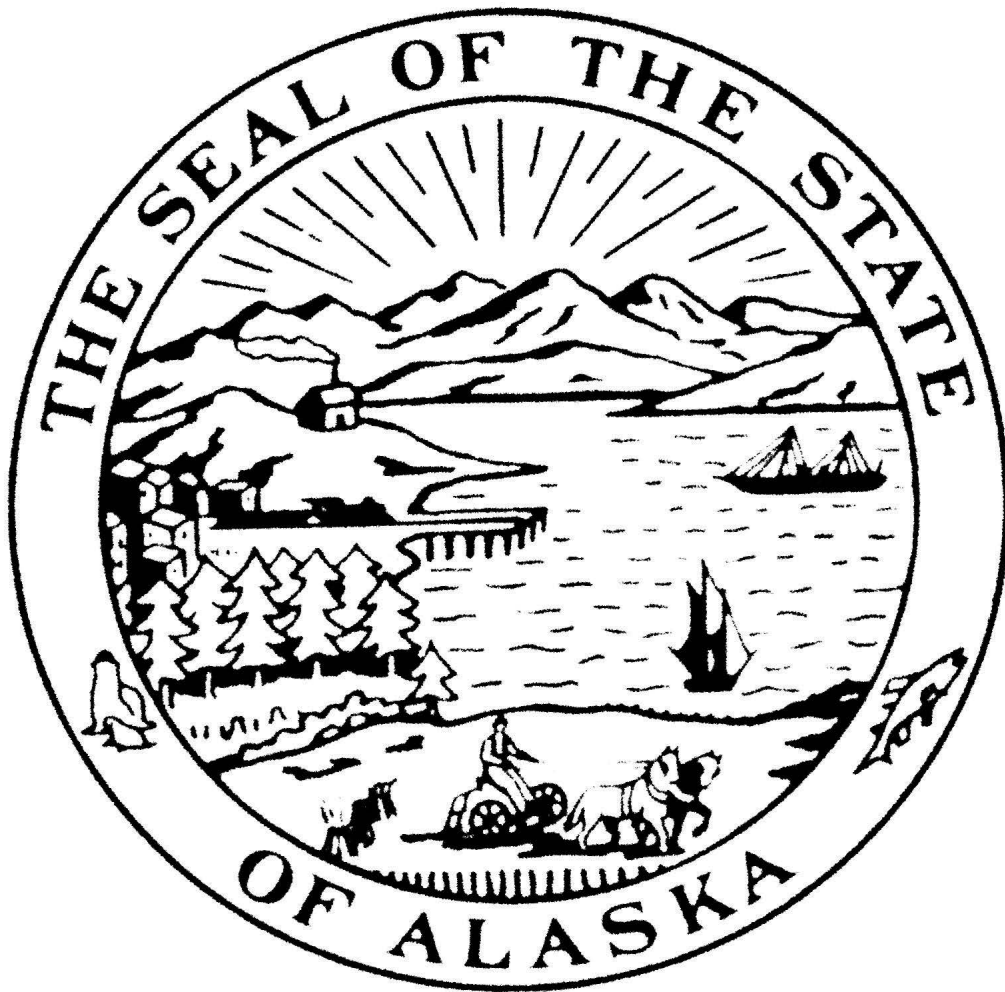
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alternative Energy Conservation Revolving Loan	Bulk Fuel Revolving Loan	Total Energy Assistance Enterprise Funds
OPERATING REVENUES			
Interest and Investment Income	\$ —	\$ 138	\$ 138
Total Operating Revenues	<u>—</u>	<u>138</u>	<u>138</u>
OPERATING EXPENSES			
Operating	—	42	42
Provision for Loan Losses and Forgiveness	—	(258)	(258)
Total Operating Expenses	<u>—</u>	<u>(216)</u>	<u>(216)</u>
Operating Income (Loss)	<u>—</u>	<u>354</u>	<u>354</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	28	214	242
Total Nonoperating Revenues (Expenses)	<u>28</u>	<u>214</u>	<u>242</u>
Income Before Capital Contributions and Transfers	28	568	596
Change in Net Position	28	568	596
Total Net Position - Beginning of Year (Restated)	2,745	24,509	27,254
Total Net Position - End of Year	<u>\$ 2,773</u>	<u>\$ 25,077</u>	<u>\$ 27,850</u>



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Combining Statement of Cash Flows

Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alternative Energy Conservation Revolving Loan	Bulk Fuel Revolving Loan	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts of Principal from Loan Recipients	\$ —	\$ 11,764	\$ 11,764
Receipt of Interest and Fees from Loan Recipients	—	141	141
Payments to Employees	—	(40)	(40)
Payments to Loan Recipients	—	(9,878)	(9,878)
Payments for Interfund Services Used	—	(2)	(2)
Other Payments	—	(2)	(2)
Net Cash Provided (Used) by Operating Activities	<u>—</u>	<u>1,983</u>	<u>1,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends on Investments	<u>28</u>	<u>214</u>	<u>242</u>
Net Cash Provided (Used) by Investing Activities	<u>28</u>	<u>214</u>	<u>242</u>
Net Increase (Decrease) in Cash	28	2,197	2,225
Cash and Cash Equivalents - Beginning of Year	2,745	20,611	23,356
Cash and Cash Equivalents - End of Year	<u>\$ 2,773</u>	<u>\$ 22,808</u>	<u>\$ 25,581</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ —	\$ 354	\$ 354
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
Due from Other Funds	—	65	65
Loans, Notes, and Bonds Receivable - Net	—	1,563	1,563
Interest and Dividends Receivable - Net	—	3	3
Deferred Outflows of Resources	—	(1)	(1)
Due to Other Funds	—	5	5
Net Pension Liability	—	(5)	(5)
Net OPEB Liability	—	5	5
Deferred Inflows of Resources	—	(6)	(6)
Net Cash Provided (Used) by Operating Activities	<u>\$ —</u>	<u>\$ 1,983</u>	<u>\$ 1,983</u>
Reconciliation of Cash to the Statement of Net Position:			
Total Cash and Investments per the Statement of Net Position	<u>\$ 2,773</u>	<u>\$ 22,808</u>	<u>\$ 25,581</u>
Cash, End of Year	<u>\$ 2,773</u>	<u>\$ 22,808</u>	<u>\$ 25,581</u>

STATE OF ALASKA

STATEMENT 4.31

Combining Statement of Net Position

Other Agencies Enterprise Funds

June 30, 2018

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water	Alaska Drinking Water	Unemployment Compensation	Retiree Health	Total Other Agencies Enterprise Funds
ASSETS							
Current Assets:							
Cash and Investments	\$ 227	\$ 12,169	\$ 134,414	\$ 66,251	\$ 450,233	\$ 543,684	\$ 1,206,978
Accounts Receivable - Net	—	—	445	412	12,151	—	13,008
Interest and Dividends Receivable	—	69	888	826	—	44	1,827
Due from Other Funds	—	3	—	1,069	42	225	1,339
Due from Other Governments	—	—	—	3	212	—	215
Loans, Notes, and Bonds Receivable	—	698	13,299	10,734	—	—	24,731
Total Current Assets	227	12,939	149,046	79,295	462,638	543,953	1,248,098
Noncurrent Assets:							
Loans, Notes, and Bonds Receivable	—	7,949	147,848	133,210	—	—	289,007
Repossessed Property	—	1	—	—	—	—	1
Other Noncurrent Assets	—	—	—	—	—	2,335	2,335
Total Noncurrent Assets	—	7,950	147,848	133,210	—	2,335	291,343
Total Assets	227	20,889	296,894	212,505	462,638	546,288	1,539,441
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	—	16	—	—	—	—	16
LIABILITIES							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	—	8	45	10	593	15,168	15,824
Due to Other Funds	—	—	25	—	1,229	126	1,380
Due to Other Governments	—	—	—	—	2,507	—	2,507
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	7	54	—	—	—	61
Other Current Liabilities	—	—	—	—	6,993	—	6,993
Total Current Liabilities	—	15	124	10	11,322	15,294	26,765
Noncurrent Liabilities:							
Net Pension Liabilities	—	115	—	—	—	—	115
Net OPEB Liabilities	—	19	—	—	—	—	19
Other Noncurrent Liabilities	—	—	—	—	—	23,672	23,672
Total Noncurrent Liabilities	—	134	—	—	—	23,672	23,806
Total Liabilities	—	149	124	10	11,322	38,966	50,571
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	—	26	—	—	—	—	26

This statement continued on the next page.

Combining Statement of Net Position

Other Agencies Enterprise Funds

June 30, 2018

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water	Alaska Drinking Water	Unemployment Compensation	Retiree Health	Total Other Agencies Enterprise Funds
NET POSITION							
Restricted for:							
Unemployment Compensation	—	—	—	—	451,316	—	451,316
Health and Human Services	—	—	296,770	212,495	—	—	509,265
Other Purposes	227	—	—	—	—	—	227
Unrestricted	—	20,730	—	—	—	507,322	528,052
Total Net Position	<u>\$ 227</u>	<u>\$ 20,730</u>	<u>\$ 296,770</u>	<u>\$ 212,495</u>	<u>\$ 451,316</u>	<u>\$ 507,322</u>	<u>\$ 1,488,860</u>

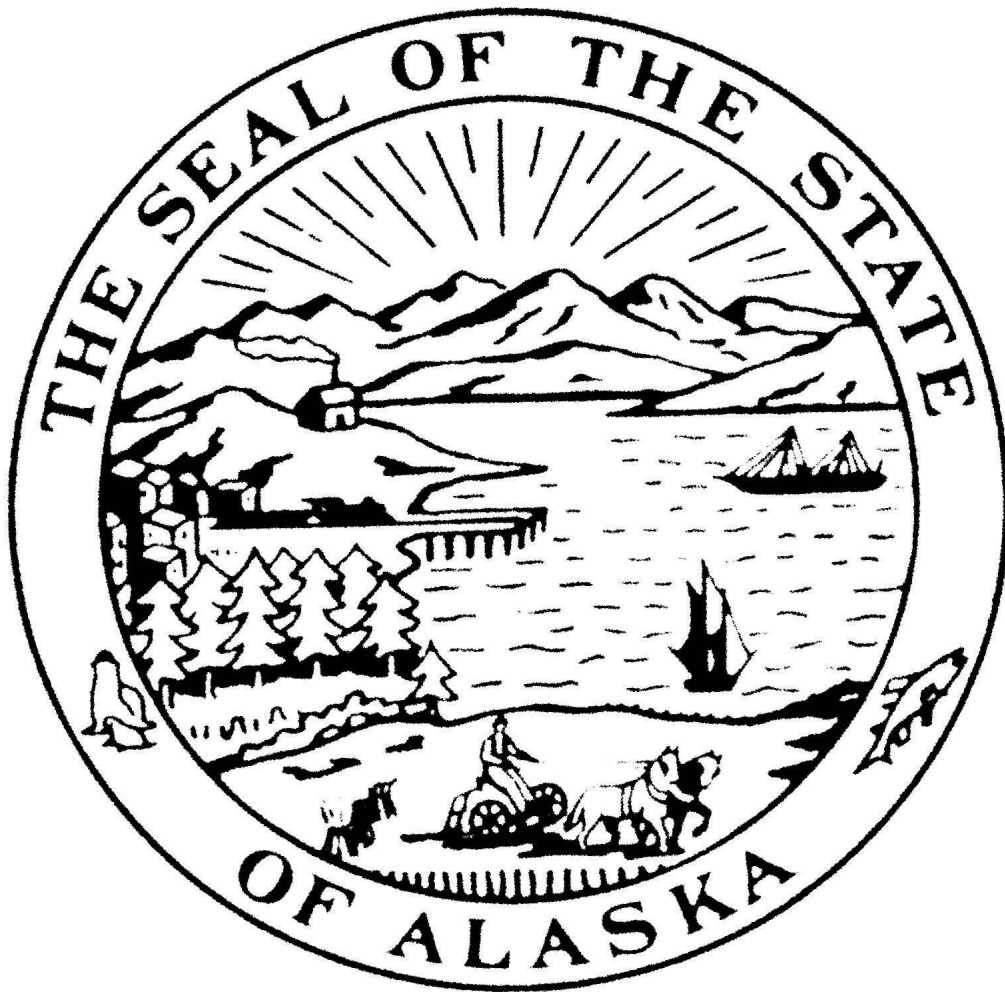
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water	Alaska Drinking Water	Unemployment Compensation	Retiree Health	Total Other Agencies Enterprise Funds
OPERATING REVENUES							
Premiums and Contributions	\$ —	\$ —	\$ —	\$ —	\$ 125,196	\$ 78,410	\$ 203,606
Charges for Goods and Services	—	7	785	565	—	—	1,357
Interest and Investment Income	—	398	1,550	1,172	—	—	3,120
Fines and Forfeitures	—	2	—	—	2,880	—	2,882
Allowance for Uncollectible Fines	—	—	—	—	(1,503)	—	(1,503)
Other Operating Revenues	—	—	—	—	—	61	61
Total Operating Revenues	—	407	2,335	1,737	126,573	78,471	209,523
OPERATING EXPENSES							
Benefits	—	—	—	—	130,663	59,603	190,266
Operating	—	(101)	1,173	289	—	3,084	4,445
Total Operating Expenses	—	(101)	1,173	289	130,663	62,687	194,711
Operating Income (Loss)	—	508	1,162	1,448	(4,090)	15,784	14,812
NONOPERATING REVENUES (EXPENSES)							
Interest and Investment Income	3	4	1,289	657	10,123	21,706	33,782
Interest and Investment Expense	—	—	(3)	(3)	—	(94)	(100)
Other Nonoperating Revenues (Expenses)	—	3	(246)	(1,568)	—	—	(1,811)
Total Nonoperating Revenues (Expenses)	3	7	1,040	(914)	10,123	21,612	31,871
Income Before Capital Contributions and Transfers	3	515	2,202	534	6,033	37,396	46,683
Capital Contributions	—	—	713	4,375	—	—	5,088
Change in Net Position	3	515	2,915	4,909	6,033	37,396	51,771
Total Net Position - Beginning of Year (restated)	224	20,215	293,855	207,586	445,283	469,926	1,437,089
Total Net Position - End of Year	\$ 227	\$ 20,730	\$ 296,770	\$ 212,495	\$ 451,316	\$ 507,322	\$ 1,488,860



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Combining Statement of Cash Flows

Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water	Alaska Drinking Water	Unemployment Compensation	Retiree Health	Total Other Agencies Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Other Governments	\$ —	\$ —	\$ 868	\$ —	\$ —	\$ —	\$ 868
Receipts of Principal from Loan Recipients	—	959	13,870	10,925	—	—	25,754
Receipt of Interest and Fees from Loan Recipients	—	387	2,657	1,937	—	—	4,981
Receipts from Insured	—	—	—	—	125,787	78,627	204,414
Payments to Employees	—	(193)	(960)	(253)	—	(7)	(1,413)
Payments to Suppliers	—	(77)	(213)	(36)	—	(2,508)	(2,834)
Payments to Other Governments	—	(4)	—	(964)	—	—	(968)
Payments to Loan Recipients	—	(644)	(3,936)	(10,726)	—	—	(15,306)
Claims Paid	—	—	—	—	(125,082)	(56,066)	(181,148)
Other Receipts	—	28	—	—	520	61	609
Net Cash Provided (Used) by Operating Activities	—	456	12,286	883	1,225	20,107	34,957
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Operating Subsidies and Transfers (Out) Other Funds	—	—	(246)	(1,568)	—	—	(1,814)
Proceeds from Issuance of Short-term Debt	—	—	1,583	1,648	—	—	3,231
Payments on Short-term Debt	—	—	(1,583)	(1,648)	—	—	(3,231)
Interest and Fees Paid on Borrowing	—	—	(3)	(3)	—	—	(6)
Net Cash Provided (Used) by Noncapital Financing Activities	—	—	(249)	(1,571)	—	—	(1,820)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Federal Grants	—	—	713	4,375	—	—	5,088
Other Receipts (Payments)	—	3	—	—	—	—	3
Net Cash Provided (Used) by Capital and Related Financing Activities	—	3	713	4,375	—	—	5,091
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from Sales/Maturities of Investments	—	—	—	—	—	126,203	126,203
Purchase of Investments	—	—	—	—	—	(149,431)	(149,431)
Interest and Dividends on Investments	3	4	1,289	657	10,123	9,917	21,993
Net Cash Provided (Used) by Investing Activities	3	4	1,289	657	10,123	(13,311)	(1,235)
Net Increase (Decrease) in Cash	3	463	14,039	4,344	11,348	6,796	36,993
Cash and Cash Equivalents - Beginning of Year	224	11,706	120,375	61,907	438,885	39,789	672,886
Cash and Cash Equivalents - End of Year	\$ 227	\$ 12,169	\$ 134,414	\$ 66,251	\$ 450,233	\$ 46,585	\$ 709,879

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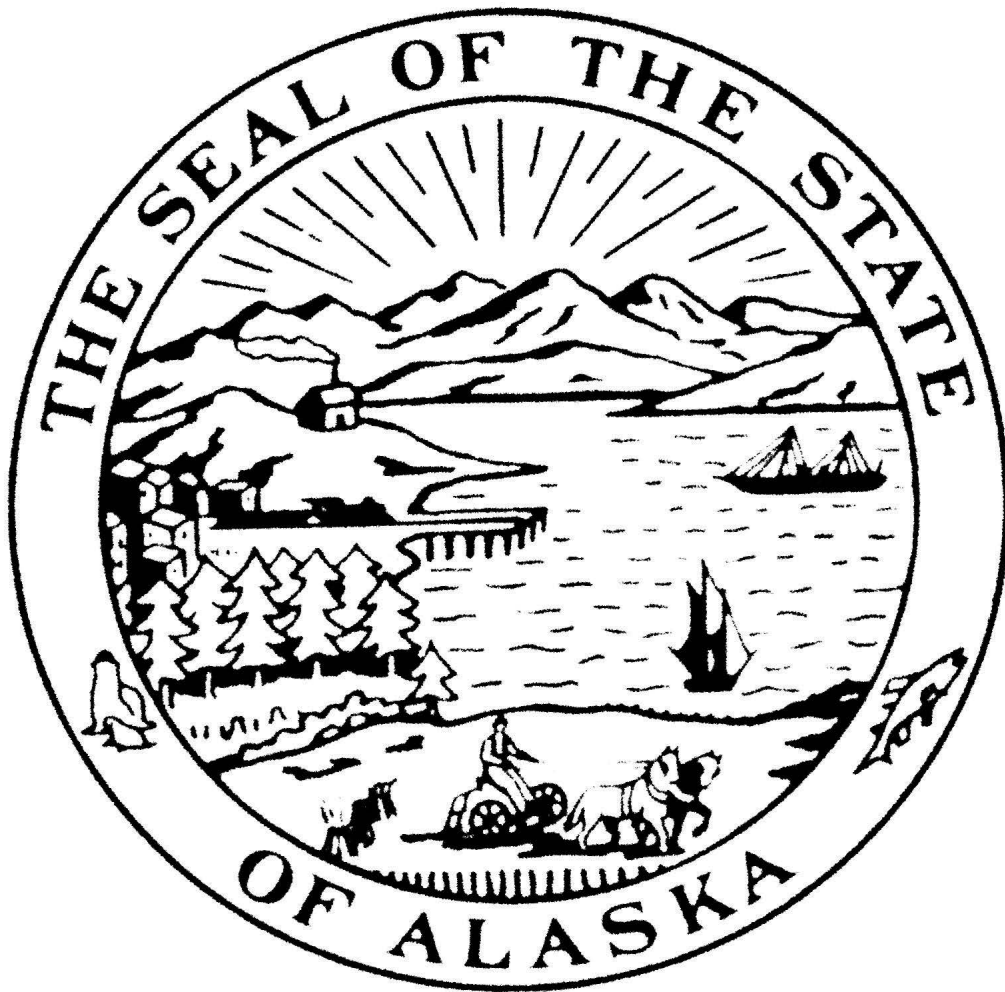
Combining Statement of Cash Flows

Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water	Alaska Drinking Water	Unemployment Compensation	Retiree Health	Total Other Agencies Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ —	\$ 508	\$ 1,162	\$ 1,448	\$ (4,090)	\$ 15,784	\$ 14,812
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:							
Accounts Receivable - Net	—	42	113	75	5,701	95	6,026
Due From Other Funds	—	(3)	863	(969)	(1)	122	12
Due From Other Governments	—	—	—	—	55	—	55
Loans, Notes and Bonds Receivable - Net	—	(961)	9,935	199	—	—	9,173
Interest and Dividends Receivable - Net	—	(21)	209	125	—	—	313
Other Assets	—	1,233	—	—	—	—	1,233
Deferred Outflows of Resources	—	100	—	—	—	—	100
Due to Other Funds	—	(1)	(52)	—	(102)	(9)	(164)
Due to Other Governments	—	—	—	—	(47)	—	(47)
Accounts Payable and Accrued Liabilities	—	3	30	5	(4,467)	4,115	(314)
Net Pension Liability	—	(442)	—	—	—	—	(442)
Net OPEB Liability	—	(10)	—	—	—	—	(10)
Other Liabilities	—	(12)	26	—	4,176	—	4,190
Deferred Inflows of Resources	—	20	—	—	—	—	20
Net Cash Provided (Used) by Operating Activities	\$ —	\$ 456	\$ 12,286	\$ 883	\$ 1,225	\$ 20,107	\$ 34,957
Reconciliation of Cash to the Statement of Net Position:							
Total Cash and Investments per the Statement of Net Position	\$ 227	\$ 12,169	\$ 134,414	\$ 66,251	\$ 450,233	\$ 543,684	\$ 1,206,978
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	—	—	—	—	—	(497,099)	(497,099)
Cash, End of Year	\$ 227	\$ 12,169	\$ 134,414	\$ 66,251	\$ 450,233	\$ 46,585	\$ 709,879



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Internal Service Funds

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

- **Alaska Public Building Fund (Fund 1147)** - AS 37.05.570 - Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of ten state owned buildings and two parking facilities. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- **Group Health and Life Benefits Fund (Fund 1097)** - AS 39.30.095 - Administered by the Department of Administration. Effective July 1, 1997, the State began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- **Highways Equipment Working Capital Fund (Fund 1026)** - AS 44.68.210 - Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- **Information Services Fund (Fund 1081)** - 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

STATEMENT 4.41

Combining Statement of Net Position

Internal Service Funds

June 30, 2018

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building	Information Services	Highways Equipment Working Capital	Total Internal Service Funds
ASSETS					
Current Assets:					
Cash and Investments	\$ 25,754	\$ 10,280	\$ 24,029	\$ 87,824	\$ 147,887
Accounts Receivable - Net	—	151	9	92	252
Due from Other Funds	57	2,444	4,270	6,149	12,920
Inventories	—	—	—	4,414	4,414
Other Current Assets	601	—	5,062	3,566	9,229
Total Current Assets	26,412	12,875	33,370	102,045	174,702
Noncurrent Assets:					
Net OPEB Asset	—	4	50	64	118
Capital Assets:					
Equipment, Net of Depreciation	—	528	36,252	128,808	165,588
Buildings, Net of Depreciation	—	132,207	—	—	132,207
Construction in Progress	—	7,268	16,789	—	24,057
Total Noncurrent Assets	—	140,007	53,091	128,872	321,970
Total Assets	26,412	152,882	86,461	230,917	496,672
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	—	139	1,851	2,384	4,374
LIABILITIES					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	15,323	1,037	1,477	3,285	21,122
Due to Other Funds	—	—	—	46	46
Claims, Judgments, Compensated Absences, and Pollution Remediation	13	99	1,019	1,461	2,592
Notes, Bonds, and Leases Payable	—	113	2,433	—	2,546
Total Current Liabilities	15,336	1,249	4,929	4,792	26,306
Noncurrent Liabilities:					
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	—	441	92	533
Notes, Bonds, and Leases Payable	—	751	8,459	—	9,210
Net Pension Liabilities	—	1,023	13,624	17,547	32,194
Net OPEB Liabilities	—	169	2,245	2,891	5,305
Total Noncurrent Liabilities	—	1,943	24,769	20,530	47,242
Total Liabilities	15,336	3,192	29,698	25,322	73,548
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	—	233	3,096	3,989	7,318
NET POSITION					
Net Investment in Capital Assets	—	139,139	41,815	128,807	309,761
Unrestricted	11,076	10,457	13,703	75,183	110,419
Total Net Position	\$ 11,076	\$ 149,596	\$ 55,518	\$ 203,990	\$ 420,180

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

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building	Information Services	Highways Equipment Working Capital	Total Internal Service Funds
OPERATING REVENUES					
Premiums and Contributions	\$ 129,599	\$ —	\$ —	\$ —	\$ 129,599
Charges for Goods and Services	—	15,010	34,909	46,624	96,543
Other Operating Revenues	2,049	—	112	—	2,161
Total Operating Revenues	<u>131,648</u>	<u>15,010</u>	<u>35,021</u>	<u>46,624</u>	<u>228,303</u>
OPERATING EXPENSES					
Benefits	118,402	—	—	—	118,402
Operating	4,533	10,226	34,149	27,401	76,309
Depreciation	—	7,671	6,720	15,183	29,574
Total Operating Expenses	<u>122,935</u>	<u>17,897</u>	<u>40,869</u>	<u>42,584</u>	<u>224,285</u>
Operating Income (Loss)	<u>8,713</u>	<u>(2,887)</u>	<u>(5,848)</u>	<u>4,040</u>	<u>4,018</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	241	—	—	—	241
Interest and Investment Expense	—	(27)	—	—	(27)
Gain (Loss) on Disposal of Capital Assets	—	(88)	—	308	220
Other Nonoperating Revenues (Expenses)	—	1	—	—	1
Total Nonoperating Revenues (Expenses)	<u>241</u>	<u>(114)</u>	<u>—</u>	<u>308</u>	<u>435</u>
Income Before Capital Contributions and Transfers	8,954	(3,001)	(5,848)	4,348	4,453
Capital Contributions	—	3,373	1,633	2,089	7,095
Transfers In from Other Funds	—	—	7,197	—	7,197
Change in Net Position	8,954	372	2,982	6,437	18,745
Total Net Position - Beginning of Year (Restated)	2,122	149,224	52,536	197,553	401,435
Total Net Position - End of Year	<u>\$ 11,076</u>	<u>\$ 149,596</u>	<u>\$ 55,518</u>	<u>\$ 203,990</u>	<u>\$ 420,180</u>

Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building	Information Services	Highways Equipment Working Capital	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers	\$ —	\$ 76	\$ —	\$ —	\$ 76
Receipts for Interfund Services Provided	—	12,466	38,293	49,167	99,926
Receipts from Insured	129,600	—	—	—	129,600
Payments to Employees	(194)	(1,326)	(9,109)	(16,629)	(27,258)
Payments to Suppliers	(3,723)	(7,490)	(22,930)	(19,746)	(53,889)
Claims Paid	(119,196)	—	—	—	(119,196)
Payments for Interfund Services Used	—	(1,131)	(2,027)	—	(3,158)
Other Receipts	2,041	—	—	—	2,041
Net Cash Provided (Used) by Operating Activities	8,528	2,595	4,227	12,792	28,142
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Subsidies and Transfers In from Other Funds	—	—	7,197	—	7,197
Net Cash Provided (Used) by Noncapital Financing Activities	—	—	7,197	—	7,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from Sale of Capital Assets	—	—	—	2,299	2,299
Acquisition and Construction of Capital Assets	—	(6,088)	(3,843)	(14,944)	(24,875)
Principal Paid on Capital Debt	—	(110)	(2,365)	—	(2,475)
Interest and Fees Paid on Capital Debt	—	(27)	(348)	—	(375)
Net Cash Provided (Used) by Capital and Related Financing Activities	—	(6,225)	(6,556)	(12,645)	(25,426)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Dividends on Investments	240	—	—	—	240
Net Cash Provided (Used) by Investing Activities	240	—	—	—	240
Net Increase (Decrease) in Cash	8,768	(3,630)	4,868	147	10,153
Cash and Cash Equivalents - Beginning of Year	16,986	13,910	19,161	87,677	137,734
Cash and Cash Equivalents - End of Year	\$ 25,754	\$ 10,280	\$ 24,029	\$ 87,824	\$ 147,887

This statement continued on the next page.

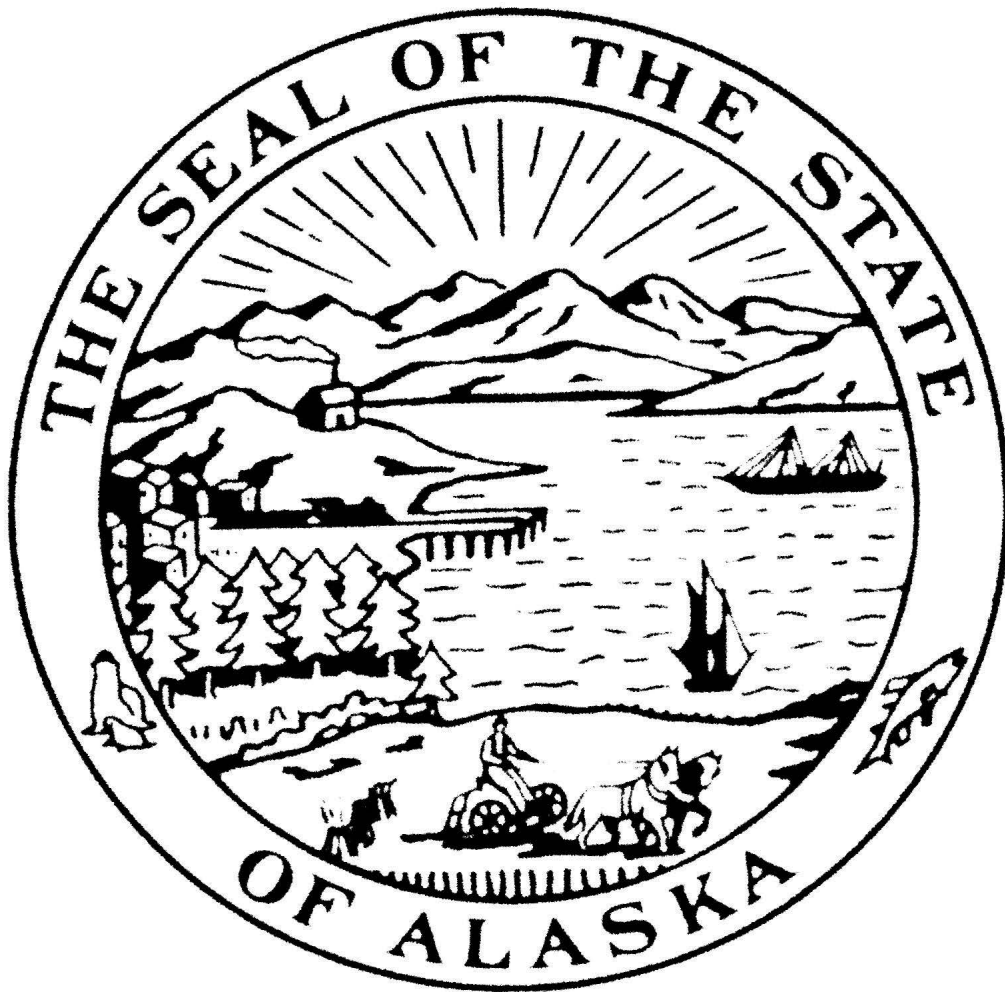
Combining Statement of Cash Flows

Internal Service Funds

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building	Information Services	Highways Equipment Working Capital	Total Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 8,713	\$ (2,887)	\$ (5,848)	\$ 4,040	\$ 4,018
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation and Amortization	—	7,873	6,720	15,183	29,776
Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
Accounts Receivable - Net	(7)	(25)	(2)	1,028	994
Due from Other Funds	116	(2,444)	3,274	1,516	2,462
Inventories	—	—	—	(341)	(341)
Net OPEB Asset	—	(4)	(50)	(3)	(57)
Other Assets	—	2	(3,309)	(1,143)	(4,450)
Deferred Outflows of Resources	—	166	1,875	3,316	5,357
Due to Other Funds	—	(316)	—	(6)	(322)
Accounts Payable and Accrued Liabilities	(294)	299	448	(5,815)	(5,362)
Net Pension Liability	—	(436)	(4,184)	(6,675)	(11,295)
Net OPEB Liability	—	169	2,245	(2,025)	389
Other Liabilities	—	(18)	160	—	142
Deferred Inflows of Resources	—	216	2,898	3,717	6,831
Net Cash Provided (Used) by Operating Activities	\$ 8,528	\$ 2,595	\$ 4,227	\$ 12,792	\$ 28,142
Reconciliation of Cash to the Statement of Net Position					
Total Cash and Investments per the Statement of Net Position	\$ 25,754	\$ 10,280	\$ 24,029	\$ 87,824	\$ 147,887
Cash, End of Year	\$ 25,754	\$ 10,280	\$ 24,029	\$ 87,824	\$ 147,887
Noncash Investing, Capital, and Financing Activities					
Contributed Capital Assets	—	3,373	1,633	2,089	7,095



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Fiduciary Funds

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

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

- **Alaska National Guard and Alaska Naval Militia Retirement System (Fund 1045)** – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- **Deferred Compensation (Fund 3294)** – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the State's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- **Judicial Retirement System (Fund 3134)** – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- **Public Employees' Retirement System (Fund 3135)** – AS 39.35.095-680, AS 39.35.700-990 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- **Supplemental Benefits System (Fund 3141)** – AS 39.30.150 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Supplemental Benefits System.
- **Teachers' Retirement System (Fund 3138)** – AS 14.25.009-220, AS 14.25.310-590 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Teachers' Retirement System.

AGENCY FUNDS

- **Deposits, Suspense, and Miscellaneous (Fund 3131)** – Administered by the Department of Administration. This fund is used to account for refundable deposits and other receipts held in trust until the State has the right to transfer them to operating funds, or until there is a proper authorization to disburse them directly to others.
- **Exxon Valdez Oil Spill Investment Trust Fund (Fund 3132)** – PL 106-113 – Administered by the Exxon Valdez Oil Spill (EVOS) Trustee Council. Consists of assets of a joint federal/state trust fund established to receive, hold, disburse, and manage all natural resource damage recoveries obtained by the United States government and the State of Alaska under the Clean Water Act, arising out of the Exxon Valdez oil spill.
- **Impact Aid (Fund 3289)** – PL 103-382 – Administered by the Department of Education and Early Development. These monies are received from the federal government and are distributed to the local school districts. The funds provide financial assistance to local school districts where enrollment or availability of revenue is adversely affected by federal activities.
- **Public Advocacy Trust Fund (Fund 3288)** – AS 44.21.410 – Administered by the Department of Administration. The Public Advocacy Trust Fund holds in trust funds for individuals under the guardianship of the Office of Public Advocacy.
- **Wage and Hour (Fund 3287)** – AS 23.05.220 – Administered by the Department of Labor and Workforce Development. This fund was established to account for receipts and disbursements for wage and hour violations.



Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2018
(Stated in Thousands)

	Public Employees' Retirement			Teachers' Retirement		
	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits
ASSETS						
Cash and Cash Equivalents	\$ 57,479	\$ 40,557	\$ 42,263	\$ 33,446	\$ 12,238	\$ 15,859
Investments:						
Fixed Income	841,582	—	738,774	495,641	—	274,961
Broad Domestic Equity	2,171,777	—	1,906,974	1,279,384	—	709,748
Global Equity ex-US	1,991,118	—	1,748,229	1,172,883	—	650,667
Opportunistic	901,316	—	791,425	530,965	—	294,556
Private Equity Pool	856,856	—	752,334	504,739	—	280,008
Absolute Return Pool	687,999	—	604,075	405,272	—	224,829
Real Assets	1,771,852	—	1,555,762	1,043,727	—	579,030
Pooled Investment Funds	—	638,110	—	—	273,730	—
Collective Investment Funds	—	403,252	—	—	168,552	—
Synthetic Investment Contracts						
Investment Loss Trust Fund Assets						
Accounts Receivable - Net	212	—	37	87	—	13
Contributions Receivable	23,295	565	601	5,626	1,663	1,142
Securities Lending Collateral	33,386	—	29,262	19,674	—	10,881
Due from Other Funds	4,752	7,283	8,222	1,632	2,105	1,351
Other Assets	15	—	967	—	—	318
Total Assets	<u>9,341,639</u>	<u>1,089,767</u>	<u>8,178,925</u>	<u>5,493,076</u>	<u>458,288</u>	<u>3,043,363</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	1,578	300	2,414	675	119	909
Obligations Under Securities Lending	33,386	—	29,262	19,674	—	10,881
Forfeiture Payable to Employer	—	35,173	—	—	10,639	—
Claims Payable	—	—	45,677	—	—	14,408
Due to Other Funds	—	—	—	—	—	—
Total Liabilities	<u>34,964</u>	<u>35,473</u>	<u>77,353</u>	<u>20,349</u>	<u>10,758</u>	<u>26,198</u>
NET POSITION						
Restricted for:						
Pension Benefits	9,306,675	—	—	5,472,727	—	—
Other Postemployment Benefits	—	—	8,101,572	—	—	3,017,165
Individuals, Organizations, and Other Governments	—	1,054,294	—	—	447,530	—
Total Net Position	<u>\$ 9,306,675</u>	<u>\$ 1,054,294</u>	<u>\$ 8,101,572</u>	<u>\$ 5,472,727</u>	<u>\$ 447,530</u>	<u>\$ 3,017,165</u>

This statement continued on the next page.

Combining Statement of Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
June 30, 2018
(Stated in Thousands)

	Judicial Retirement		Alaska National Guard and Alaska Naval Militia Retirement	Deferred Compensation	Supplemental Benefits	Total Pension and Other Employee Benefit Trust Funds
	Pension	Other Postemployment Benefits				
ASSETS						
Cash and Cash Equivalents	\$ 1,283	\$ 198	\$ 26	\$ 2,675	\$ 10,778	\$ 216,802
Investments:						
Fixed Income	15,973	2,867	18,849	—	—	2,388,647
Broad Domestic Equity	41,231	7,400	9,899	—	—	6,126,413
Global Equity ex-US	37,798	6,784	6,538	—	—	5,614,017
Opportunistic	17,111	3,072	4,137	—	—	2,542,582
Private Equity Pool	16,266	2,920	—	—	—	2,413,123
Absolute Return Pool	13,061	2,344	—	—	—	1,937,580
Real Assets	33,636	6,038	—	—	—	4,990,045
Pooled Investment Funds	—	—	—	216,547	2,445,939	3,574,326
Collective Investment Funds	—	—	—	548,404	1,104,316	2,224,524
Synthetic Investment Contracts	—	—	—	176,326	354,899	531,225
Investment Loss Trust Fund Assets	—	—	—	—	1,999	1,999
Accounts Receivable - Net	2	—	1	—	—	352
Contributions Receivable	237	24	—	1,735	6,938	41,826
Securities Lending Collateral	633	113	122	—	—	94,071
Due from Other Funds	216	21	—	—	—	25,582
Other Assets	—	3	—	—	—	1,303
Total Assets	<u>177,447</u>	<u>31,784</u>	<u>39,572</u>	<u>945,687</u>	<u>3,924,869</u>	<u>32,724,417</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	19	6	27	220	1,901	8,168
Obligations Under Securities Lending	633	113	122	—	—	94,071
Forfeiture Payable to Employer	—	—	—	—	—	45,812
Claims Payable	—	167	—	—	2,066	62,318
Due to Other Funds	—	—	5	68	277	350
Total Liabilities	<u>652</u>	<u>286</u>	<u>154</u>	<u>288</u>	<u>4,244</u>	<u>210,719</u>
NET POSITION						
Restricted for:						
Pension Benefits	176,795	—	39,418	—	—	14,995,615
Other Postemployment Benefits	—	31,498	—	—	—	11,150,235
Individuals, Organizations, and Other Governments	—	—	—	945,399	3,920,625	6,367,848
Total Net Position	<u>\$ 176,795</u>	<u>\$ 31,498</u>	<u>\$ 39,418</u>	<u>\$ 945,399</u>	<u>\$ 3,920,625</u>	<u>\$ 32,513,698</u>

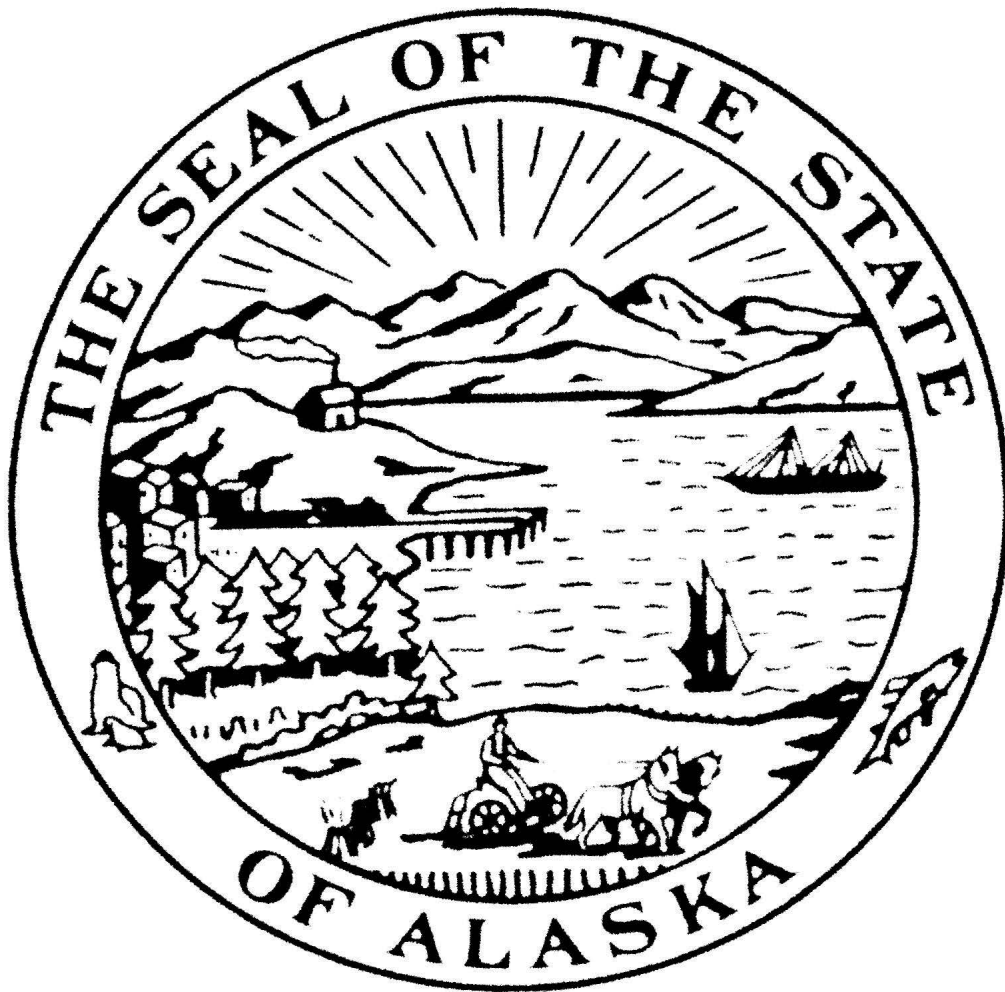
Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2018
(Stated in Thousands)

	Public Employees' Retirement			Teachers' Retirement		
	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefits
ADDITIONS						
Premiums and Contributions:						
Employer	\$ 299,665	\$ 51,424	\$ 138,798	\$ 39,835	\$ 23,710	\$ 33,405
Member	84,956	91,413	—	37,674	28,831	—
Other	72,719	—	—	111,757	—	—
Total Premiums and Contributions	457,340	142,837	138,798	189,266	52,541	33,405
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	574,033	85,296	499,620	342,565	36,066	185,732
Interest	32,194	125	28,075	19,175	33	10,436
Dividends	122,721	—	107,924	72,967	—	40,113
Total Investment Income	728,948	85,421	635,619	434,707	36,099	236,281
Less Investment Expense	4,724	362	4,113	2,810	153	1,530
Net Investment Income	724,224	85,059	631,506	431,897	35,946	234,751
Securities Lending Income	1,329	—	1,159	791	—	431
Less Securities Lending Expense	243	—	213	145	—	79
Net Securities Lending Income	1,086	—	946	646	—	352
Other Additions:						
Other	25	420	26,340	184	134	8,095
Total Additions	1,182,675	228,316	797,590	621,993	88,621	276,603
DEDUCTIONS						
Benefits Paid	801,155	—	422,857	456,427	—	134,142
Refunds of Premiums and Contributions	11,722	43,132	—	2,084	11,135	—
Administrative Expenses	6,250	3,211	14,990	3,050	1,248	5,669
Total Deductions	819,127	46,343	437,847	461,561	12,383	139,811
Net Increase (Decrease) in Net Position Restricted for:						
Pension Benefits	363,548	—	—	160,432	—	—
Other Postemployment Benefits	—	—	359,743	—	—	136,792
Individuals, Organizations, and Other Governments	—	181,973	—	—	76,238	—
Net Position - Beginning of the Year	8,943,127	872,321	7,741,829	5,312,295	371,292	2,880,373
Net Position - End of the Year	\$ 9,306,675	\$ 1,054,294	\$ 8,101,572	\$ 5,472,727	\$ 447,530	\$ 3,017,165

This statement continued on the next page.

Combining Statement of Changes in Fiduciary Net Position
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2018
(Stated in Thousands)

	Judicial Retirement		Alaska National Guard and Alaska Naval Militia Retirement	Deferred Compensation	Supplemental Benefits	Total Pension and Other Employee Benefit Trust Funds
	Pension	Other Postemployment Benefit				
ADDITIONS						
Premiums and Contributions:						
Employer	\$ 5,143	\$ 621	\$ 907	\$ —	\$ 80,084	\$ 673,592
Member	833	—	—	42,283	87,515	373,505
Other	5,385	—	—	—	—	189,861
Total Premiums and Contributions	11,361	621	907	42,283	167,599	1,236,958
Investment Income:						
Net Appreciation (Depreciation) in Fair Value of Investments	10,736	1,942	1,178	77,321	263,409	2,077,898
Interest	606	109	432	—	498	91,683
Dividends	2,314	418	363	—	—	346,820
Total Investment Income	13,656	2,469	1,973	77,321	263,907	2,516,401
Less Investment Expense	86	16	13	348	1,411	15,566
Net Investment Income	13,570	2,453	1,960	76,973	262,496	2,500,835
Securities Lending Income	25	4	6	—	—	3,745
Less Securities Lending Expense	5	1	1	—	—	687
Net Securities Lending Income	20	3	5	—	—	3,058
Other Additions:						
Other	—	65	—	10	56	35,329
Total Additions	24,951	3,142	2,872	119,266	430,151	3,776,180
DEDUCTIONS						
Benefits Paid	12,126	1,591	1,360	57,048	211,386	2,098,092
Refunds of Premiums and Contributions	—	—	—	—	—	68,073
Administrative Expenses	63	44	226	1,182	4,388	40,321
Total Deductions	12,189	1,635	1,586	58,230	215,774	2,206,486
Net Increase (Decrease) in Net Position Restricted for:						
Pension Benefits	12,762	—	1,286	—	—	538,028
Other Postemployment Benefits	—	1,507	—	—	—	498,042
Individuals, Organizations, and Other Governments	—	—	—	61,036	214,377	533,624
Net Position - Beginning of the Year	164,033	29,991	38,132	884,363	3,706,248	30,944,004
Net Position - End of the Year	\$ 176,795	\$ 31,498	\$ 39,418	\$ 945,399	\$ 3,920,625	\$ 32,513,698



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Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2018

(Stated in Thousands)

	Deposits, Suspense, and Miscellaneous	Wage and Hour	Public Advocacy	Exxon Valdez Oil Spill Investment	Impact Aid PL 103-382	Total Agency Funds
ASSETS						
Cash and Cash Equivalents	\$ 305,484	\$ 296	\$ 28,764	\$ —	\$ 31	\$ 334,575
Investments	—	—	—	192,843	—	192,843
Accounts Receivable - Net	14	—	—	—	—	14
Due from Other Funds	10,875	—	—	—	—	10,875
Total Assets	<u>316,373</u>	<u>296</u>	<u>28,764</u>	<u>192,843</u>	<u>31</u>	<u>538,307</u>
LIABILITIES						
Accounts Payable and Accrued Liabilities	4,084	9	—	—	—	4,093
Trust Deposits Payable	310,422	280	28,622	192,793	31	532,148
Due to Other Funds	1,867	7	142	50	—	2,066
Total Liabilities	<u>\$ 316,373</u>	<u>\$ 296</u>	<u>\$ 28,764</u>	<u>\$ 192,843</u>	<u>\$ 31</u>	<u>\$ 538,307</u>

Combining Statement of Changes in Assets and Liabilities

Agency Funds

June 30, 2018

(Stated in Thousands)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 311,812	\$ 313,754	\$ 320,082	\$ 305,484
Accounts Receivable - Net	11	17	14	14
Due from Other Funds	4,100	14,982	8,207	10,875
Total Assets	<u>315,923</u>	<u>328,753</u>	<u>328,303</u>	<u>316,373</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	5,973	32,368	34,257	4,084
Trust Deposits Payable	307,530	323,276	320,383	310,423
Due to Other Funds	2,420	730	1,284	1,866
Total Liabilities	<u>\$ 315,923</u>	<u>\$ 356,374</u>	<u>\$ 355,924</u>	<u>\$ 316,373</u>
<u>WAGE AND HOUR</u>				
ASSETS				
Cash and Cash Equivalents	\$ 237	\$ 606	\$ 547	\$ 296
Due from Other Funds	15	15	30	—
Total Assets	<u>252</u>	<u>621</u>	<u>577</u>	<u>296</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	4	764	759	9
Trust Deposits Payable	248	1,580	1,548	280
Due to Other Funds	—	7	—	7
Total Liabilities	<u>\$ 252</u>	<u>\$ 2,351</u>	<u>\$ 2,307</u>	<u>\$ 296</u>
<u>PUBLIC ADVOCACY</u>				
ASSETS				
Cash and Cash Equivalents	\$ 27,721	\$ 17,328	\$ 16,285	\$ 28,764
Total Assets	<u>27,721</u>	<u>17,328</u>	<u>16,285</u>	<u>28,764</u>
LIABILITIES				
Trust Deposits Payable	27,584	1,487	449	28,622
Due to Other Funds	137	266	261	142
Total Liabilities	<u>\$ 27,721</u>	<u>\$ 1,753</u>	<u>\$ 710</u>	<u>\$ 28,764</u>
<u>EXXON VALDEZ OIL SPILL INVESTMENT</u>				
ASSETS				
Investments	\$ 200,398	\$ 69,016	\$ 76,571	\$ 192,843
Total Assets	<u>200,398</u>	<u>69,016</u>	<u>76,571</u>	<u>192,843</u>
LIABILITIES				
Trust Deposits Payable	200,361	16,188	23,756	192,793
Due to Other Funds	37	87	74	50
Total Liabilities	<u>\$ 200,398</u>	<u>\$ 16,275</u>	<u>\$ 23,830</u>	<u>\$ 192,843</u>

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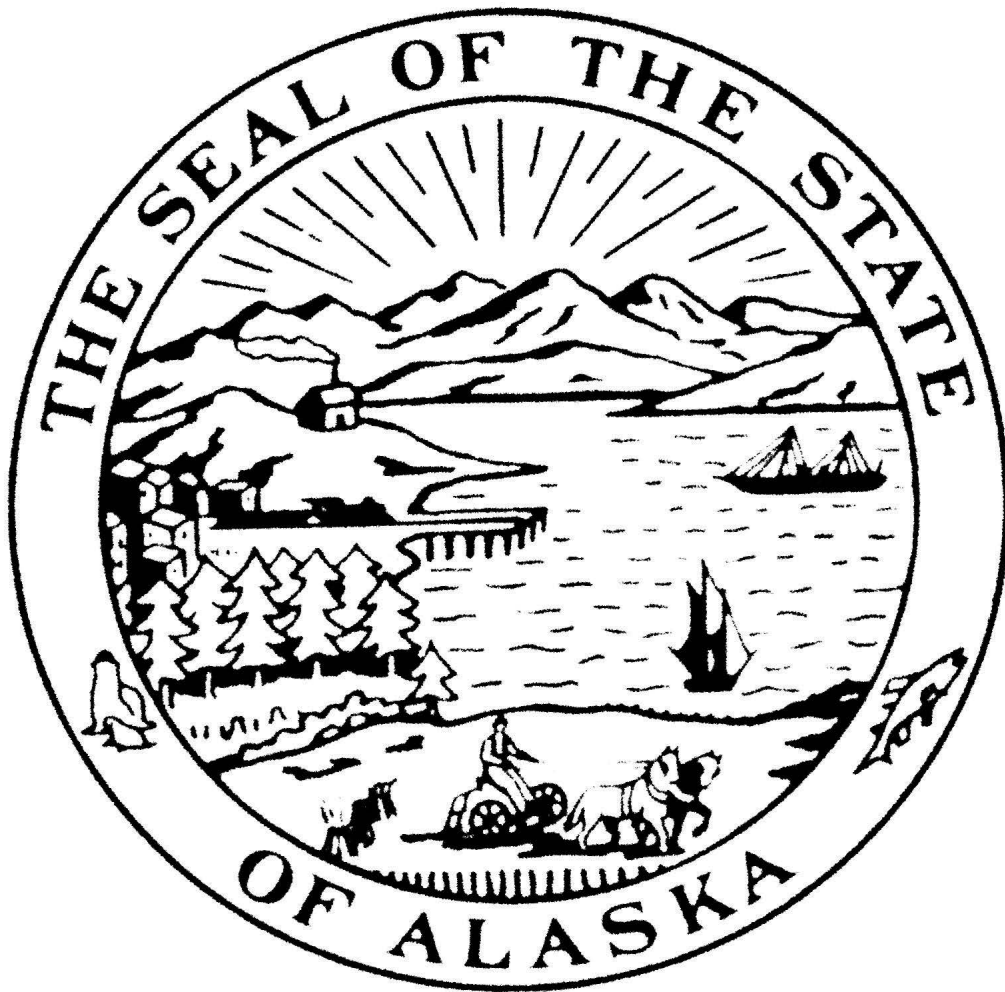
Combining Statement of Changes in Assets and Liabilities

Agency Funds

June 30, 2018

(Stated in Thousands)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<u>IMPACT AID PL 103-382</u>				
ASSETS				
Cash and Cash Equivalents	\$ 31	\$ 39,713	\$ 39,713	\$ 31
Total Assets	<u>31</u>	<u>39,713</u>	<u>39,713</u>	<u>31</u>
LIABILITIES				
Trust Deposits Payable	31	77,629	77,629	31
Total Liabilities	<u>\$ 31</u>	<u>\$ 77,629</u>	<u>\$ 77,629</u>	<u>\$ 31</u>
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and Cash Equivalents	\$ 339,801	\$ 371,401	\$ 376,627	\$ 334,575
Investments	200,398	69,016	76,571	192,843
Accounts Receivable - Net	11	17	14	14
Due from Other Funds	4,115	14,997	8,237	10,875
Total Assets	<u>544,325</u>	<u>455,431</u>	<u>461,449</u>	<u>538,307</u>
LIABILITIES				
Accounts Payable and Accrued Liabilities	5,977	33,132	35,016	4,093
Trust Deposits Payable	535,754	420,160	423,765	532,149
Due to Other Funds	2,594	1,090	1,619	2,065
Total Liabilities	<u>\$ 544,325</u>	<u>\$ 454,382</u>	<u>\$ 460,400</u>	<u>\$ 538,307</u>



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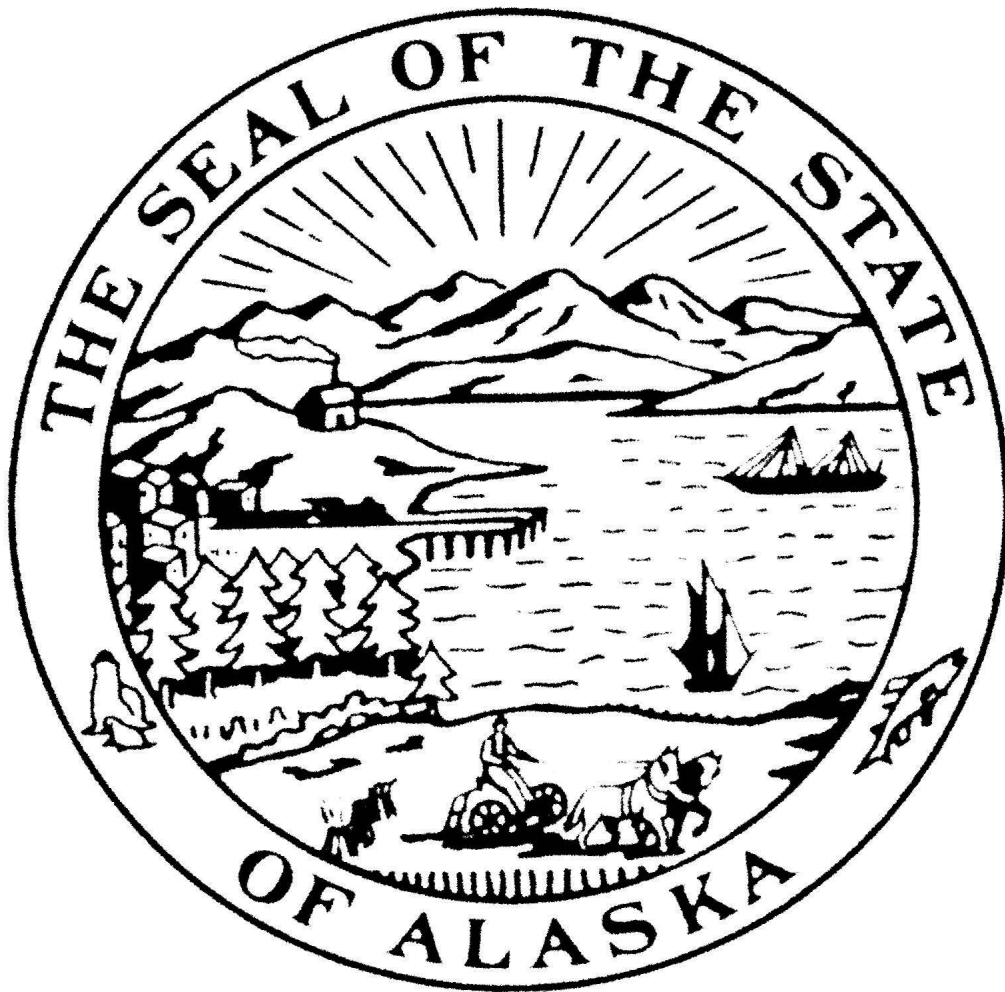
Nonmajor Component Units

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

- **Alaska Aerospace Corporation (AAC)** - AS 26.27.010 - is a public corporation of the State located for administrative purposes within the Department of Military and Veterans Affairs. The purpose of AAC is to allow the State to take a lead role in the exploration and development of space, to enhance human and economic development, and to provide a unified direction for space-related economic growth, education and research development, and tourism related activities.
- **Alaska Energy Authority (AEA)** - AS 44.83.020 - is a public corporation of the State within the Department of Commerce, Community, and Economic Development, but with a separate and independent legal existence. The purpose of AEA is to promote, develop, and advance the general prosperity and economic welfare of the people of the State by providing a means of constructing, acquiring, financing, and operating power projects and facilities that recover and use waste energy.
- **Alaska Gasline Development Corporation (AGDC)** - AS 31.25.010 - is a public corporation and government instrumentality located for administrative purposes in the Department of Commerce, Community, and Economic Development, but having a legal existence independent of and separate from the state. Sec. 31.25.005. The purpose of AGDC is to develop natural gas pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms to deliver natural gas in-state for the maximum benefit of the people of the state; and to assist the state departments to maximize the value of the state's royalty natural gas, natural gas delivered to the state as payment of tax, and other natural gas received by the state.
- **Alaska Mental Health Trust Authority (AMHTA)** - AS 47.30.011 - is established as a public corporation of the State within the Department of Revenue. The purpose of AMHTA is to ensure an integrated comprehensive mental health program, by administering the trust established under the Alaska Mental Health Enabling Act of 1956.
- **Alaska Municipal Bond Bank Authority (AMBBA)** - AS 44.85.020 - is a public corporation and an instrumentality of the State within the Department of Revenue, but with a legal existence independent of and separate from the State. AMBBA was created for the purpose of making available to municipalities within the State, monies to finance their capital projects or for other authorized purposes by means of issuance of bonds by AMBBA and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds.
- **Alaska Railroad Corporation (ARRC)** - AS 42.40.010 - is a public corporation and an instrumentality of the State within the Department of Commerce, Community, and Economic Development, but with a legal existence independent of and separate from the State. ARRC was created to own and operate the railroad and manage its rail, industrial, port, and other properties.

- **Alaska Seafood Marketing Institute (ASMI)** - AS 16.51.010 - is a public corporation and an instrumentality of the State within the Department of Commerce, Community, and Economic Development, but with a legal existence independent of and separate from the State. The purpose of ASMI is to promote all species of seafood and their by-products harvested in Alaska for sale, and develop market-oriented quality specifications.
- **Alaska Student Loan Corporation (ASLC)** - AS 14.42.100 - is a public corporation and government instrumentality within the Department of Education and Early Development, but having a legal existence independent of and separate from the State. The purpose of ASLC is to improve higher educational opportunities for residents of the State.





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Combining Statement of Net Position

Nonmajor Component Units

June 30, 2018

(Stated in Thousands)

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Seafood Marketing Institute	Alaska Gasline Development Corporation	Total Nonmajor Component Units
ASSETS									
Cash and Investments	\$ 67,948	\$ 78,915	\$ 71,268	\$ —	\$ 1,683	\$ 673,215	\$ 12,521	\$ 57,557	\$ 963,107
Accounts Receivable - Net	9	—	11,936	1,436	5,793	—	—	—	19,174
Interest and Dividends Receivable	14,619	4,229	—	1,198	—	5,087	—	—	25,133
Due from Primary Government	—	—	12	860	—	109	7,349	239	8,569
Due from Component Units	—	—	—	1	—	—	—	—	1
Due from Other Governments	—	—	17,763	1,530	—	—	—	—	19,293
Loans, Notes, and Bonds Receivable	1,139,845	114,634	—	17,968	—	6,072	—	—	1,278,519
Inventories	—	—	11,768	—	13	—	—	—	11,781
Restricted Assets	—	88,549	26,855	1,212,214	—	—	—	—	1,327,618
Securities Lending Collateral	—	—	—	—	—	15,802	—	—	15,802
Net OPEB Asset	—	—	29,475	—	12	20	4	31	29,542
Other Assets	—	450	1,429	731	—	852	309	374	4,145
Capital Assets:									
Equipment, Net of Depreciation	—	—	135,076	998	22,491	—	—	12	158,577
Buildings, Net of Depreciation	—	—	179	—	44,476	9,387	—	—	54,042
Infrastructure, Net of Depreciation	—	—	632,450	160,530	12,863	—	—	—	805,843
Land / Right-of-Way	—	—	36,016	11,212	—	8,297	—	—	55,525
Construction in Progress	—	—	91,130	196,448	6,250	—	—	—	293,828
Total Assets	1,222,421	286,777	1,065,357	1,605,126	93,581	718,841	20,183	58,213	5,070,499
DEFERRED OUTFLOWS OF RESOURCES									
Total Deferred Outflows of Resources	—	—	5,453	10	436	733	165	778	7,575
LIABILITIES									
Accounts Payable and Accrued Liabilities	21	73	19,930	14,829	3,981	8,332	3,169	3,986	54,321
Obligations Under Securities Lending	—	—	—	—	—	15,802	—	—	15,802
Due to Primary Government	60	2,048	2,255	7,849	—	—	—	—	12,212
Due to Component Units	—	—	—	4,933	—	—	—	—	4,933
Due to Other Governments	—	239	—	—	—	—	—	—	239
Interest Payable	14,398	7	1,959	2,050	—	—	—	—	18,414
Other Current Liabilities	12,128	—	318	8	—	—	—	—	12,454
Long-term Liabilities:									
Portion Due or Payable Within One Year:									
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	—	311	—	915	762	214	422	2,624
Unearned Revenue	—	—	3,461	—	50	687	—	—	4,198
Notes, Bonds, and Leases Payable	70,205	20,618	16,529	10,626	—	—	—	—	117,978
Portion Due or Payable After One Year:									
Claims, Judgments, Compensated Absences, and Pollution Remediation	—	—	2,144	—	—	—	—	94	2,238
Notes, Bonds, and Leases Payable	1,071,460	41,944	98,718	75,809	—	—	—	—	1,287,931
Net Pension Liabilities	—	—	15,385	—	3,208	5,399	1,212	4,528	29,732
Net OPEB Liabilities	—	—	—	—	529	889	200	751	2,369
Other Noncurrent Liabilities	—	—	—	105	—	—	—	—	105
Total Liabilities	1,168,272	64,929	161,010	116,209	8,683	31,871	4,795	9,781	1,565,550

This statement continued on the next page.

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2018

(Stated in Thousands)

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Seafood Marketing Institute	Alaska Gasline Development Corporation	Total Nonmajor Component Units
DEFERRED INFLOWS OF RESOURCES									
Total Deferred Inflows of Resources	—	—	571,102	—	729	1,227	276	1,704	575,038
NET POSITION									
Net Investment in Capital Assets	—	—	216,797	318,239	86,080	17,684	—	12	638,812
Restricted for:									
Permanent Funds									
Nonexpendable	—	—	—	—	—	464,385	—	—	464,385
Expendable	—	—	—	—	—	204,407	—	—	204,407
Development	—	—	121,901	—	—	—	—	—	121,901
Debt Service	36,064	25,734	—	25,595	—	—	—	—	87,393
Other Purposes	—	—	—	1,145,093	—	—	15,277	10,048	1,170,418
Unrestricted	18,085	196,114	—	—	(1,475)	—	—	37,446	250,170
Total Net Position	\$ 54,149	\$ 221,848	\$ 338,698	\$ 1,488,927	\$ 84,605	\$ 686,476	\$ 15,277	\$ 47,506	\$ 2,937,486

Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

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	\$ 54,187	\$ 53,365	\$ —	\$ —
Alaska Student Loan Corporation	13,329	12,156	—	—
Alaska Railroad Corporation	168,960	128,295	61,897	—
Alaska Energy Authority	95,914	21,848	21,777	661
Alaska Aerospace Corporation	25,556	23,148	42	—
Alaska Mental Health Trust Authority	23,831	20,176	51,200	—
Alaska Seafood Marketing Institute	14,608	—	4,248	—
Alaska Gasline Development Corporation	34,520	—	134	—
Total Nonmajor Component Units	<u>\$ 430,905</u>	<u>\$ 258,988</u>	<u>\$ 139,298</u>	<u>\$ 661</u>

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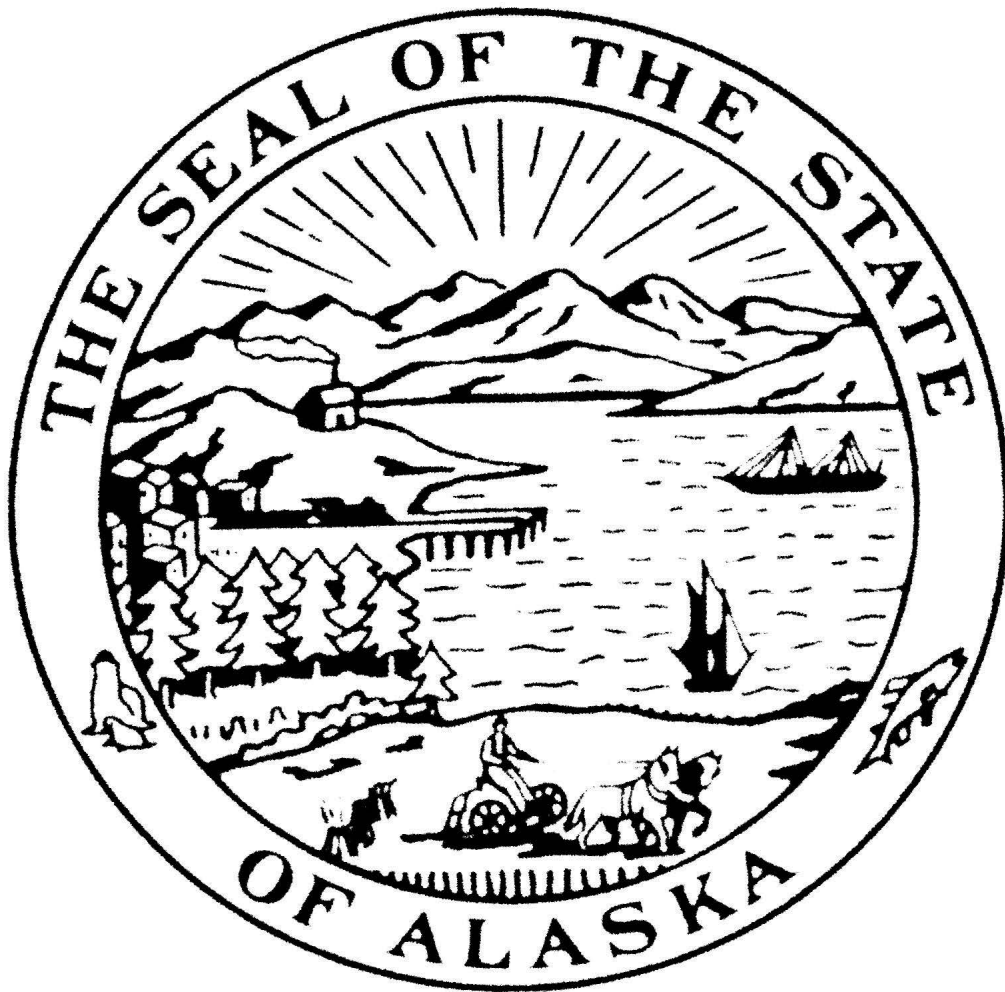
Combining Statement of Activities

Nonmajor Component Units

For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

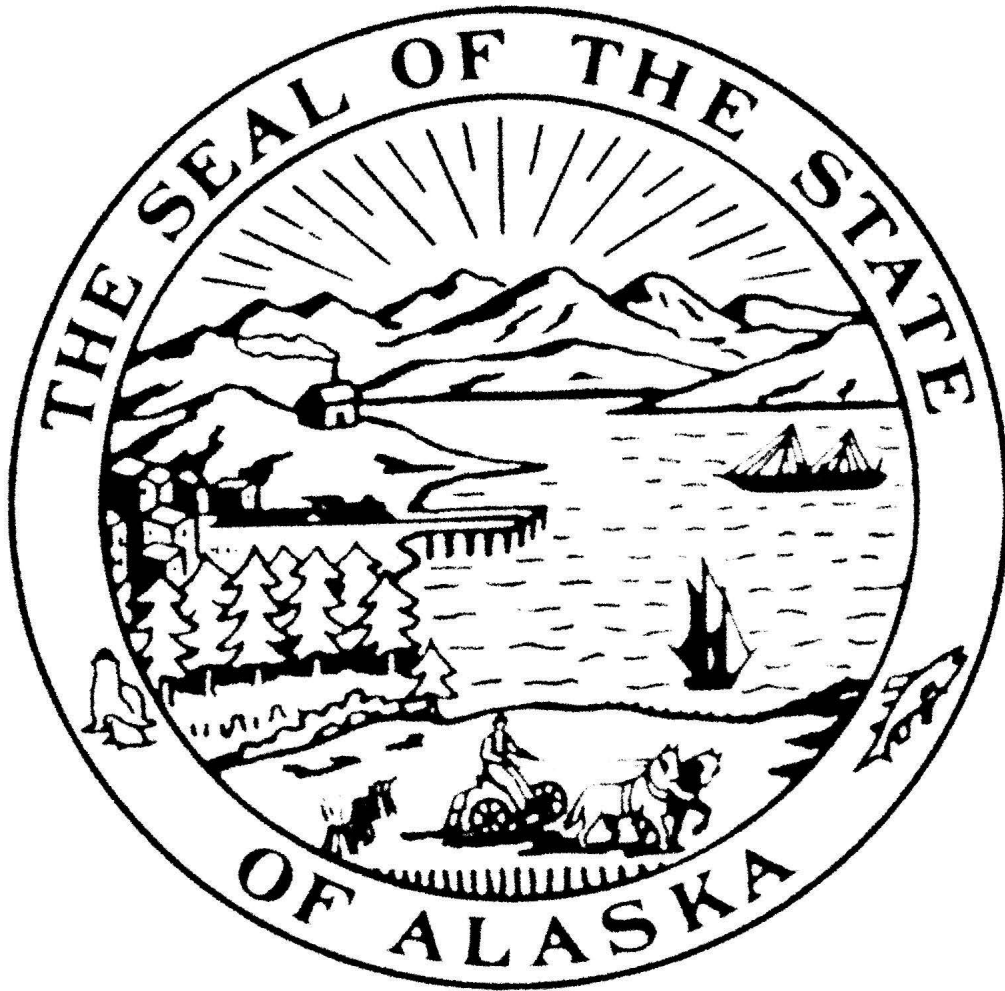
FUNCTIONS/ PROGRAMS	Net (Expense) Revenue and Changes in Net Position								
	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Corporation	Alaska Mental Health Trust Authority	Alaska Seafood Marketing Institute	Alaska Gasline Development Corporation	Total Nonmajor Component Units
Nonmajor Component Units:									
Alaska Municipal Bond Bank Authority	\$ (822)								\$ (822)
Alaska Student Loan Corporation		(1,173)							(1,173)
Alaska Railroad Corporation			21,232						21,232
Alaska Energy Authority				(51,628)					(51,628)
Alaska Aerospace Corporation					(2,366)				(2,366)
Alaska Mental Health Trust Authority						47,545			47,545
Alaska Seafood Marketing Institute							(10,360)		(10,360)
Alaska Gasline Development Corporation								(34,386)	(34,386)
Total Nonmajor Component Units	(822)	(1,173)	21,232	(51,628)	(2,366)	47,545	(10,360)	(34,386)	(31,958)
General Revenues:									
Interest and Investment Income (Loss)	34	—	1,128	79,345	29	—	—	685	81,221
Payments In from Primary Government	—	—	—	—	—	160	9,860	—	10,020
Other Revenues	—	200	—	—	—	295	—	—	495
Total General Revenues, Transfers, and Contributions	34	200	1,128	79,345	29	455	9,860	685	91,736
Change in Net Position	(788)	(973)	22,360	27,717	(2,337)	48,000	(500)	(33,701)	59,778
Net Position - Beginning of Year (restated)	54,937	222,821	316,338	1,461,210	86,942	638,476	15,777	81,207	2,877,708
Net Position - End of Year	\$ 54,149	\$ 221,848	\$ 338,698	\$ 1,488,927	\$ 84,605	\$ 686,476	\$ 15,277	\$ 47,506	\$ 2,937,486



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Other Supplementary Information





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STATE OF ALASKA

STATEMENT 6.03

Balance Sheet

Nonmajor Component Unit Without Separately Issued Financial Statements

June 30, 2018

(Stated in Thousands)

	Alaska Seafood Marketing Institute
ASSETS	
Cash and Investments	\$ 12,521
Due from Primary Government	7,349
Net OPEB Asset	4
Other Assets	309
Total Assets	<u>20,183</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>165</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	3,169
Long-term Liabilities:	
Portion Due or Payable Within One Year:	
Claims, Judgments, Compensated Absences and Pollution Remediation	214
Net Pension Liabilities	1,212
Net OPEB Liabilities	200
Total Liabilities	<u>4,795</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>276</u>
FUND BALANCES	
Reserved:	
Encumbrances	108
Other Purposes	15,169
Total Fund Balances	<u>15,277</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 20,348</u>
Reconciliation of the Balance Sheet to the Statement of Net Position:	
Total Fund Balances - Governmental Fund:	\$ 15,277
Net Position of Governmental Activities	<u>\$ 15,277</u>

STATE OF ALASKA

STATEMENT 6.04

Statement of Revenues, Expenditures, and Change in Fund Balances

Nonmajor Component Unit Without Separately Issued Financial Statements

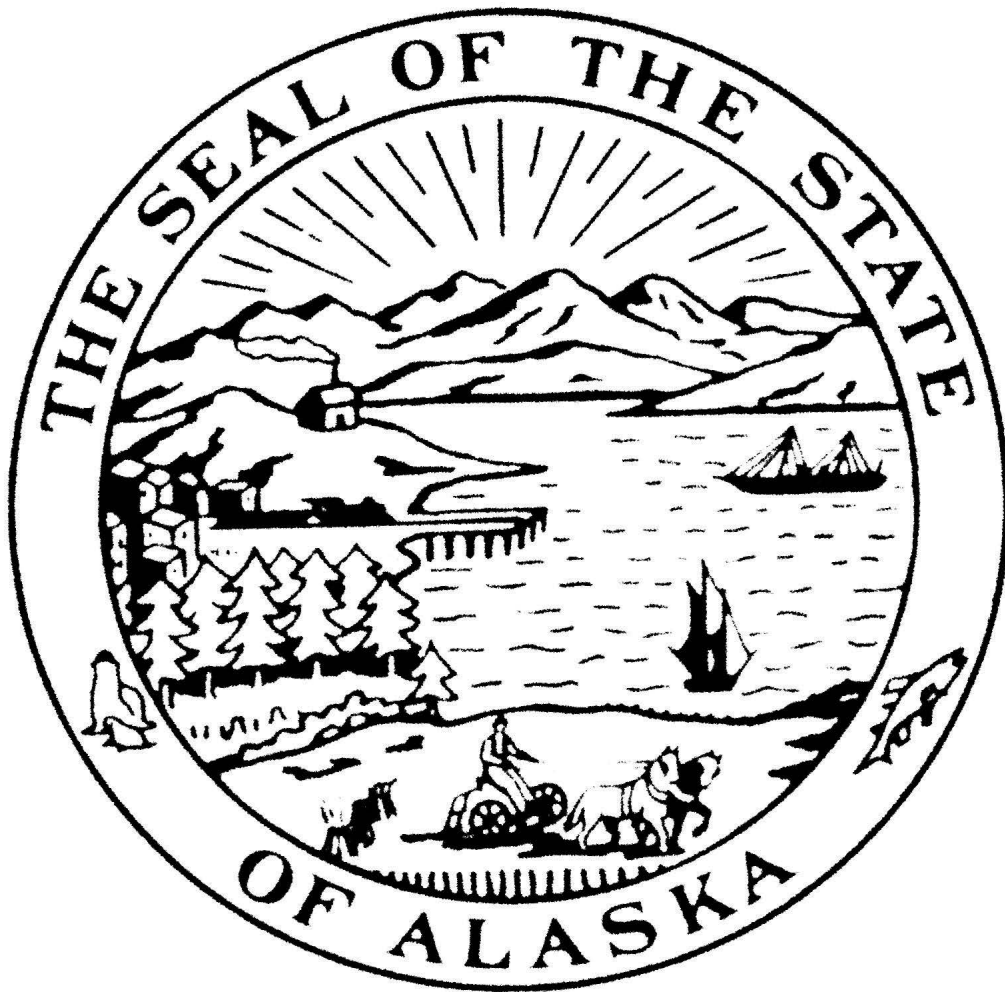
For the Fiscal Year Ended June 30, 2018

(Stated in Thousands)

	Alaska Seafood Marketing Institute
REVENUES	
Federal Grants in Aid	\$ 4,248
Total Revenues	<u>4,248</u>
EXPENDITURES	
Current:	
Development	14,608
Total Expenditures	<u>14,608</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,360)</u>
OTHER FINANCING SOURCES (USES)	
Payments in from Primary Government	9,860
Total Other Financing Sources and Uses	<u>9,860</u>
Net Change in Fund Balances	(500)
Fund Balances - Beginning of Year (restated)	15,777
Fund Balances - End of Year	<u>\$ 15,277</u>
Reconciliation of the Change in Fund Balances to the Statement of Activities:	
Net Change in Fund Balances - Governmental Fund:	\$ (500)
Change in Net Position of Governmental Activities:	<u>\$ (500)</u>

Statistical Section





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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

STATISTICAL SECTION

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

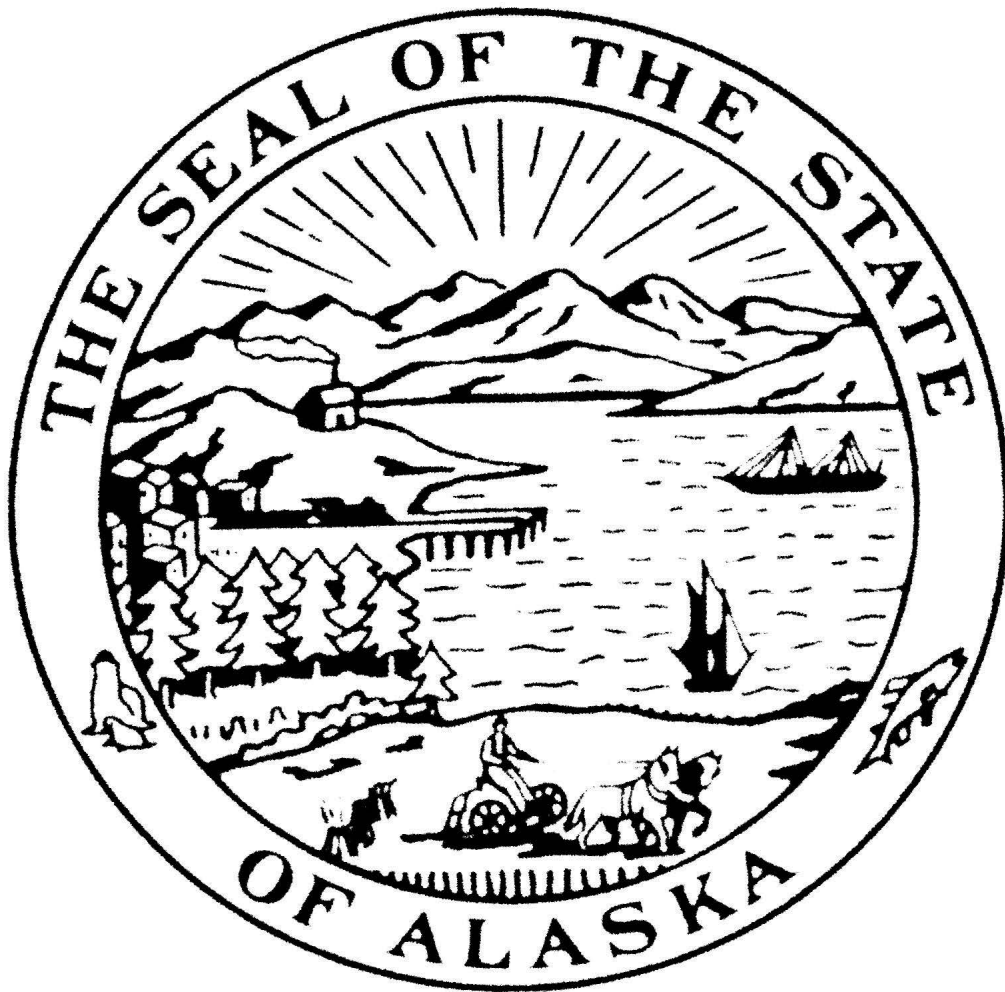
	Page
Financial Trends (Schedules A-1 through A-5)	293
These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.	
Revenue Capacity (Schedules B-1 through B-3)	301
These schedules contain information to help the reader assess the state's most significant revenue sources: investment income, oil severance taxes, and oil royalties.	
Debt Capacity (Schedules C-1 and C-2)	306
These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. The state has no statutory limit on the amount of general obligation debt that may be authorized.	
Demographic and Economic Information (Schedules D-1 and D-2)	308
These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place.	
Operating Information (Schedules E-1 through E-3)	311
These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs.	

SOURCES:

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

NOTE:

The State of Alaska implemented GASB Statement No. 54 in FY 10; therefore some schedules only include financial data beginning in that year.



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STATE OF ALASKA

SCHEDULE A-1

Financial Trends - Net Position By Component

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 7,247,754	\$ 6,951,428	\$ 6,786,011	\$ 6,683,296	\$ 6,205,097	\$ 5,940,490	\$ 5,784,736	\$ 5,618,713	\$ 5,429,469	\$ 5,293,353
Restricted ^a	46,900,224	47,893,276	45,173,358	46,442,972	45,797,266	41,811,811	39,109,760	38,808,084	32,819,206	30,007,939
Unrestricted	17,387,310	14,558,125	14,020,197	18,358,463	28,015,987	26,270,988	23,398,603	20,099,413	16,423,342	14,625,134
Total Governmental Activities Net Position	71,535,288	69,402,829	65,979,566	71,484,731	80,018,350	74,023,289	68,293,099	64,526,210	54,672,017	49,926,426
Business-type Activities:										
Invested in Capital Assets, Net of Related Debt	846,649	831,268	813,876	817,436	868,403	847,214	805,993	783,353	765,841	706,236
Restricted	1,006,773	989,686	967,266	939,413	865,739	777,552	680,149	670,492	679,259	712,350
Unrestricted	814,160	773,238	316,963	298,017	350,713	357,143	343,417	292,783	317,371	327,661
Total Business-type Activities Net Position	2,667,582	2,594,192	2,098,105	2,054,866	2,084,855	1,981,909	1,829,559	1,746,628	1,762,471	1,746,247
Primary Government:										
Invested in Capital Assets, Net of Related Debt	8,094,403	7,782,696	7,599,887	7,500,732	7,073,500	6,787,704	6,590,729	6,402,066	6,195,310	5,999,589
Restricted	47,906,997	48,882,962	46,140,624	47,382,385	46,663,005	42,589,363	39,789,909	39,478,576	33,498,465	30,720,289
Unrestricted	18,201,470	15,331,363	14,337,160	18,656,480	28,366,700	26,628,131	23,742,020	20,392,196	16,740,713	14,952,795
Total Primary Government Net Position	\$ 74,202,870	\$ 71,997,021	\$ 68,077,671	\$ 73,539,597	\$ 82,103,205	\$ 76,005,198	\$ 70,122,658	\$ 66,272,838	\$ 56,434,488	\$ 51,672,673

NOTE:

This schedule is presented on the accrual basis of accounting.

^a The majority of the amount reported as Restricted Net Position for Governmental Activities represents the Alaska Permanent Fund.

Further discussion of this fund is included in Management's Discussion and Analysis.

STATE OF ALASKA

SCHEDULE A-2

Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Program Revenues										
Governmental Activities:										
Charges for Services										
General Government	\$ 23,183	\$ 24,472	\$ 15,917	\$ 12,316	\$ 12,442	\$ 12,374	\$ 13,807	\$ 10,940	\$ 10,706	\$ 10,148
Education	4,494	4,430	6,510	3,705	3,779	4,123	2,977	3,195	3,277	3,045
University	—	—	—	40	—	—	—	—	10	15
Health and Human Services	49,608	55,324	55,533	50,513	49,545	48,904	45,775	43,166	41,816	41,375
Law and Justice	12,432	11,802	12,656	17,140	12,771	12,960	19,267	17,294	10,604	19,485
Public Protection	169,139	185,091	170,302	174,986	170,439	179,861	159,589	157,898	160,851	158,994
Natural Resources	1,534,225	1,216,901	1,005,680	1,768,465	2,612,946	2,864,093	3,053,020	2,798,551	2,278,392	2,322,398
Development	2,796	180	2,030	3,224	2,723	2,472	18,277	994	1,264	16,634
Transportation	62,795	73,938	55,877	69,890	63,234	65,158	60,945	59,215	54,746	57,306
Debt Service	—	—	—	—	—	—	—	—	1,320	—
Operating Grants and Contributions	2,599,655	2,559,108	2,157,268	1,917,686	1,809,703	1,866,903	1,827,888	2,029,375	1,912,537	1,488,782
Capital Grants and Contributions	632,198	650,102	727,426	768,853	681,189	651,304	648,810	659,305	591,510	633,661
Total Governmental Activities Program Revenues	5,090,525	4,781,348	4,209,199	4,786,818	5,418,771	5,708,152	5,850,355	5,779,933	5,067,033	4,751,843
Business-type Activities:										
Charges for Services										
Loans	10,295	10,279	9,969	11,062	10,144	11,477	12,030	12,652	16,372	11,818
Unemployment Compensation	205,044	212,436	155,660	185,476	236,266	237,694	200,070	190,321	168,524	178,073
Airports	147,893	142,826	137,167	134,361	123,896	107,864	106,764	106,604	105,441	95,244
Development	—	1,076	1,455	1,602	1,851	1,765	1,349	1,212	1,068	1,034
Operating Grants and Contributions	407	407	430	521	25,558	80,780	117,929	106,801	99,940	19,115
Capital Grants and Contributions	58,988	71,401	59,837	68,976	80,351	109,152	110,804	48,419	84,170	78,720
Total Business-type Activities Program Revenues	422,627	438,425	364,518	401,998	478,066	548,732	548,946	466,009	475,515	384,004
Total Primary Government Program Revenues	\$ 5,513,152	\$ 5,219,773	\$ 4,573,717	\$ 5,188,816	\$ 5,896,837	\$ 6,256,884	\$ 6,399,301	\$ 6,245,942	\$ 5,542,548	\$ 5,135,847
Expenses										
Governmental Activities:										
General Government	\$ 734,156	\$ 172,897	\$ 323,158	\$ 586,724	\$ 553,636	\$ 572,776	\$ 504,434	\$ 466,540	\$ 423,411	\$ 515,981
Alaska Permanent Fund Dividend ^{a,b}	698,016	652,746	1,330,027	1,203,234	570,590	562,621	757,576	817,894	817,162	2,015,974
Education	1,942,640	1,715,774	1,921,828	2,285,272	2,080,526	2,076,009	1,912,994	1,864,934	1,688,586	1,647,531
University	387,047	356,986	467,456	524,677	595,060	568,955	492,576	449,650	404,071	410,805
Health and Human Services	3,160,709	3,165,385	2,940,851	2,770,978	2,587,529	2,717,565	2,596,033	2,420,412	2,261,984	2,067,733
Law and Justice	221,818	262,401	291,706	259,017	270,022	266,949	277,816	187,722	241,021	270,299
Public Protection	718,987	854,667	842,739	791,136	804,823	729,682	703,039	740,113	696,937	609,253
Natural Resources	313,208	384,784	438,036	475,146	383,338	376,333	403,746	394,500	342,556	295,183
Development	192,045	176,934	447,510	409,528	1,123,531	700,695	597,796	892,847	319,268	386,298
Transportation	987,322	1,277,028	1,289,035	1,278,527	1,403,539	1,156,853	1,110,674	1,026,604	1,135,249	959,586
Intergovernmental Revenue Sharing	99,790	96,423	118,807	134,239	262,001	287,028	254,159	189,741	177,531	231,574
Debt Service	65,950	64,263	70,447	65,808	64,885	64,334	72,718	50,864	48,377	42,662
Total Governmental Activities Expenses	9,521,688	9,180,288	10,481,600	10,784,286	10,699,480	10,079,800	9,683,561	9,501,821	8,556,153	9,452,879

STATE OF ALASKA

SCHEDULE A-2

Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-type Activities:										
Loans	5,348	9,860	15,905	10,518	10,197	8,350	11,190	5,095	5,062	3,514
Unemployment Compensation	193,349	199,892	152,505	142,702	196,345	258,709	302,406	325,040	339,964	199,792
Airports	158,113	167,523	139,529	150,341	157,367	151,125	144,009	134,020	114,885	117,499
Development	—	1,063	1,570	61,220	5,149	4,820	6,254	2,633	1,984	2,062
Total Business-type Activities Expenses	356,810	378,338	309,509	364,781	369,058	423,004	463,859	466,788	461,895	322,867
Total Primary Government Expenses	9,878,498	9,558,626	10,791,109	11,149,067	11,068,538	10,502,804	10,147,420	9,968,609	9,018,048	9,775,746
Net (Expense)/Revenue (To Schedule A-3)										
Governmental Activities	(4,431,163)	(4,398,940)	(6,272,401)	(5,997,468)	(5,280,709)	(4,371,648)	(3,833,206)	(3,721,888)	(3,489,120)	(4,701,036)
Business-type Activities	65,817	60,087	55,009	37,217	109,008	125,728	85,087	(779)	13,620	61,137
Total Primary Government Net Expense	\$(4,365,346)	\$(4,338,853)	\$(6,217,392)	\$(5,960,251)	\$(5,171,701)	\$(4,245,920)	\$(3,748,119)	\$(3,722,667)	\$(3,475,500)	\$(4,639,899)

NOTES:

This schedule is presented on the accrual basis of accounting.

- ^a The permanent fund dividend function represents the portion of the income earned by the Alaska Permanent Fund that is paid out to eligible Alaska residents.
- ^b In 2009 the Alaska Permanent Fund Dividend expenses includes a one time energy rebate in the amount of \$738,767 (in thousands) that was paid to Alaska citizens to offset the cost of energy.

STATE OF ALASKA

SCHEDULE A-3

Financial Trends - Government-wide General Revenues and Other Changes in Net Position

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expense)/Revenue (From Schedule A-2)										
Governmental Activities	\$(4,431,163)	\$(4,398,940)	\$(6,272,401)	\$(5,997,468)	\$(5,280,709)	\$(4,371,648)	\$(3,833,206)	\$(3,721,888)	\$(3,489,120)	\$(4,701,036)
Business-type Activities	65,817	60,087	55,009	37,217	109,008	125,728	85,087	(779)	13,620	61,137
Total Primary Government Net Expense	<u>\$(4,365,346)</u>	<u>\$(4,338,853)</u>	<u>\$(6,217,392)</u>	<u>\$(5,960,251)</u>	<u>\$(5,171,701)</u>	<u>\$(4,245,920)</u>	<u>\$(3,748,119)</u>	<u>\$(3,722,667)</u>	<u>\$(3,475,500)</u>	<u>\$(4,639,899)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Severance Taxes	\$ 777,690	\$ 232,999	\$ (318,546)	\$ (106,738)	\$ 2,175,990	\$ 3,855,649	\$ 6,069,648	\$ 4,217,074	\$ 2,669,281	\$ 3,345,993
Selective Sales/Use	260,693	260,819	265,992	250,283	252,538	246,235	251,826	249,705	251,414	235,121
Income Taxes	195,387	62,402	65,795	239,379	414,613	583,429	647,256	720,734	552,792	632,123
Property Taxes	125,421	120,693	111,137	127,821	128,076	99,598	215,407	184,254	118,780	111,251
Other Taxes	2,483	2,643	2,576	2,592	2,631	2,444	2,556	9,712	8,905	10,225
Interest and Investment Earnings	5,829,716	7,049,727	706,296	2,832,768	8,236,307	5,208,270	318,107	8,075,366	4,529,193	(6,460,729)
Tobacco Settlement	51,117	30,175	30,479	29,175	32,261	30,012	29,997	29,574	31,502	37,349
Payments In from Component Units	13,229	31,178	174,722	14,106	22,578	31,336	39,463	42,866	40,538	26,392
Other Revenues	51,722	38,604	36,905	4,641	27,842	68,841	28,887	48,106	37,573	91,857
Transfers - Internal Activity	—	9,467	747	(10,544)	(627)	(23,127)	(3,052)	(1,310)	(5,267)	(14,032)
Pension Obligation and Other Post Employment	—	—	—	—	—	—	—	—	—	126,393
Prior Period Adjustments and Restatements	—	—	(308,867)	285,522	(11,230)	—	—	—	—	(2,186)
Changes in Accounting Principles	—	—	—	—	—	—	—	—	—	604,222
Total Governmental Activities General Revenues and Other Changes in Net Position	<u>7,307,458</u>	<u>7,838,707</u>	<u>767,236</u>	<u>3,669,005</u>	<u>11,280,979</u>	<u>10,102,687</u>	<u>7,600,095</u>	<u>13,576,081</u>	<u>8,234,711</u>	<u>(1,256,021)</u>
Business-type Activities:										
Interest and Investment Earnings	20,915	21,381	(11,403)	(10,155)	(13,985)	(16,838)	(13,772)	(16,374)	(13,201)	(11,037)
Other Revenues	325	1,172	380	890	4,703	4,460	8,564	—	10,538	5,562
Payments In from Component Units	—	—	—	—	—	15,873	—	—	—	53
Transfers - Internal Activity	—	(9,467)	(747)	10,544	627	23,127	3,052	1,310	5,267	14,032
Special Items	—	—	—	—	—	—	—	—	—	3,972
Prior Period Adjustments and Restatements	—	—	—	—	—	—	—	—	—	(3,685)
Changes in Accounting Principles	—	—	—	—	—	—	—	—	—	(1,518)
Total Business-type Activities General Revenues and Other Changes in Net Position	<u>21,240</u>	<u>13,086</u>	<u>(11,770)</u>	<u>1,279</u>	<u>(8,655)</u>	<u>26,622</u>	<u>(2,156)</u>	<u>(15,064)</u>	<u>2,604</u>	<u>7,379</u>
Total Primary Government General Revenues and Other Changes in Net Position	<u>7,328,698</u>	<u>7,851,793</u>	<u>755,466</u>	<u>3,670,284</u>	<u>11,272,324</u>	<u>10,129,309</u>	<u>7,597,939</u>	<u>13,561,017</u>	<u>8,237,315</u>	<u>(1,248,642)</u>
Change in Net Position										
Governmental Activities	2,876,295	3,439,767	(5,505,165)	(2,328,463)	6,000,270	5,731,039	3,766,889	9,854,193	4,745,591	(5,957,057)
Business-type Activities	87,057	73,173	43,239	38,496	100,353	152,350	82,931	(15,843)	16,224	68,516
Total Primary Government Changes in Net Position	<u>\$ 2,963,352</u>	<u>\$ 3,512,940</u>	<u>\$(5,461,926)</u>	<u>\$(2,289,967)</u>	<u>\$ 6,100,623</u>	<u>\$ 5,883,389</u>	<u>\$ 3,849,820</u>	<u>\$ 9,838,350</u>	<u>\$ 4,761,815</u>	<u>\$(5,888,541)</u>

NOTE:

This schedule is presented on the accrual basis of accounting.

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

SCHEDULE A-4

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund (Per GASB 54)^a										
Nonspendable	\$ 93,737	\$ 138,773	\$ 154,762	\$ 219,190	\$ 219,953	\$ 108,524	\$ 165,504	\$ 146,525	\$ 229,199	
Restricted	49,849	47,530	50,065	83,969	58,953	77,042	105,472	134,863	119,379	
Committed	1,975,195	2,363,884	3,470,237	4,995,744	6,577,052	5,997,573	5,339,354	4,448,973	4,782,302	
Unassigned	1,863,474	3,740,423	6,384,544	10,533,000	15,685,658	16,440,266	15,953,852	13,051,711	10,405,256	
General Fund (Prior GASB 54)^a										
Reserved	—	—	—	—	—	—	—	—	—	1,101,357
Unreserved	—	—	—	—	—	—	—	—	—	13,222,879
Total General Fund	\$ 3,982,255	\$ 6,290,610	\$ 10,059,608	\$ 15,831,903	\$ 22,541,616	\$ 22,623,405	\$ 21,564,182	\$ 17,782,072	\$ 15,536,136	\$ 14,324,236
All Other Governmental Funds (Per GASB 54)^a										
Nonspendable	\$ 46,778,930	\$ 47,598,764	\$ 44,788,850	\$ 46,263,114	\$ 45,563,618	\$ 41,299,265	\$ 38,713,004	\$ 38,261,469	\$ 32,408,388	
Restricted	287,694	293,811	336,081	163,147	172,275	425,573	289,667	406,063	286,528	
Committed	4,754,276	47,981	68,094	74,218	129,391	598,440	615,614	817,352	418,643	
Assigned	16,141,699	12,815,504	8,570,020	7,162,406	6,211,325	4,053,792	2,080,582	2,307,820	1,209,837	
Unassigned	1,863,474	—	—	(92,534)	(18,377)	—	—	—	—	
All Other Governmental Funds (Prior GASB 54)^a										
Reserved ^b	—	—	—	—	—	—	—	—	—	29,983,196
Unreserved, reported in:										
Permanent funds	—	—	—	—	—	—	—	—	—	426,318
Special revenue funds	—	—	—	—	—	—	—	—	—	420,993
Capital projects funds	—	—	—	—	—	—	—	—	—	207,550
Total All Other Governmental Funds	\$ 69,826,073	\$ 60,756,060	\$ 53,763,045	\$ 53,570,351	\$ 52,058,232	\$ 46,377,070	\$ 41,698,867	\$ 41,792,704	\$ 34,323,396	\$ 31,038,057

NOTES:

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

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

^a Prior to 2010 and the implementation of GASB statement No. 54, fund balances were classified as Reserved or Unreserved. Under GASB statement No. 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned, or Unassigned.

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

STATE OF ALASKA

SCHEDULE A-5

Financial Trends - Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Stated in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Taxes	\$1,331,702	\$ 679,556	\$ 126,954	\$ 513,337	\$2,973,848	\$4,787,355	\$7,186,196	\$5,381,479	\$ 3,602,345	\$4,334,450
Licenses and Permits	167,556	148,707	166,523	163,089	154,991	147,790	148,058	147,331	144,160	146,460
Charges for Services	173,740	214,307	183,910	199,976	184,657	194,058	197,276	179,554	164,400	176,310
Fines and Forfeitures	19,041	40,416	32,680	15,564	17,017	30,615	13,732	11,867	14,745	14,306
Rents and Royalties	1,477,977	1,162,924	931,662	1,714,369	2,563,426	2,807,255	2,996,900	2,779,564	2,259,999	2,237,219
Premiums and Contributions	40,465	36,058	46,942	27,441	24,741	25,949	23,363	28,790	21,782	28,806
Interest and Investment Income	5,859,553	7,109,848	721,084	2,847,916	8,299,902	5,248,270	344,378	8,139,303	4,575,828	(6,480,492)
Federal Grants in Aid	3,125,376	3,198,108	2,706,153	2,544,252	2,459,581	2,434,288	2,500,941	2,442,957	2,422,985	2,119,109
Payments in from Component Units	12,765	31,180	174,720	14,106	22,578	31,336	39,463	42,866	40,538	26,392
Other Revenues	110,486	72,856	70,608	50,187	61,190	101,707	66,759	53,920	32,530	61,092
Total Revenues	12,318,661	12,693,960	5,161,236	8,090,237	16,761,931	15,808,623	13,517,066	19,207,631	13,279,312	2,663,652
Expenditures										
General Government	439,975	524,207	519,288	1,395,586	555,498	588,288	491,697	481,434	437,178	740,621
Alaska Permanent Fund Dividend ^a	698,016	652,746	1,330,027	1,203,234	570,590	562,621	757,576	817,894	817,162	2,015,974
Education	1,852,716	1,823,237	1,872,621	3,770,244	2,118,884	2,081,438	1,899,380	1,835,425	1,705,340	1,658,971
University	370,313	379,156	481,268	653,543	594,777	568,805	491,857	449,248	402,867	409,890
Health and Human Services	3,186,022	3,075,982	2,920,002	2,803,944	2,599,796	2,741,002	2,573,858	2,427,974	2,251,631	2,064,656
Law and Justice	242,018	237,810	254,627	274,155	294,064	271,633	278,809	238,083	303,662	202,860
Public Protection	738,853	714,867	765,161	794,420	801,663	736,133	734,059	784,268	715,945	620,975
Natural Resources	340,418	332,946	371,231	427,988	401,217	399,938	384,167	379,151	391,318	339,496
Development	203,522	184,622	434,298	421,857	1,122,243	707,665	595,362	893,417	330,074	387,633
Transportation	1,179,903	1,289,670	1,465,843	1,548,227	1,520,690	1,277,201	1,146,767	1,103,655	1,174,671	1,111,105
Intergovernmental Revenue Sharing	107,852	97,454	125,351	134,686	263,408	288,281	254,525	189,796	177,804	231,364
Debt Service:										
Principal	116,031	93,752	91,349	85,126	84,365	97,959	134,825	47,229	43,210	48,414
Interest and Other Charges	68,514	67,558	63,025	67,155	69,208	64,891	77,816	44,201	45,110	41,914
Bond Issuance Costs	—	—	—	426	—	—	—	—	—	524
Total Expenditures	9,544,153	9,474,007	10,694,091	13,580,591	10,996,403	10,385,855	9,820,698	9,691,775	8,795,972	9,874,397
Excess (Deficiency) of Revenues Over Expenditures	2,774,508	3,219,953	(5,532,855)	(5,490,354)	5,765,528	5,422,768	3,696,368	9,515,856	4,483,340	(7,210,745)

Financial Trends - Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

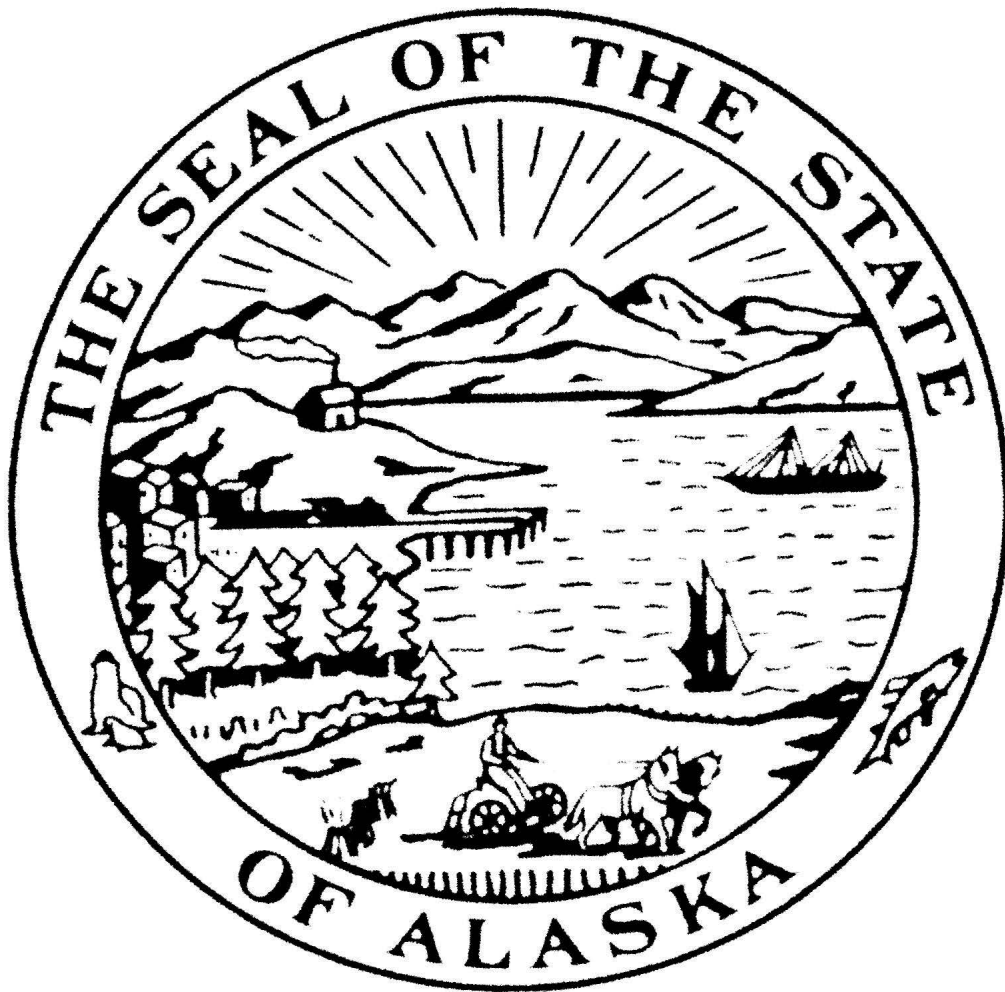
(Stated in Thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Other Financing Sources (Uses)										
Bonds Issued	—	—	263,090	30,895	—	—	—	200,000	—	165,000
Refunding Bonds Issued	—	—	—	94,425	—	312,125	204,390	—	—	—
Bond Issue Premium	—	—	52,046	26,718	—	36,338	33,007	1,837	—	8,611
Payment to Refunded Bond Escrow Agent	—	—	—	(116,296)	—	—	(237,509)	—	—	—
Capital Leases	12,093	2,894	12,170	5,148	13,842	5,279	10,277	8,212	20,603	271,901
Transfers In from Other Funds	865,589	123,905	798,139	1,532,769	1,387,386	716,027	1,324,843	1,277,441	924,015	937,064
Transfers (Out to) Other Funds	(872,787)	(122,735)	(812,405)	(1,566,421)	(1,404,040)	(754,907)	(1,343,103)	(1,288,102)	(930,719)	(961,402)
Total Other Financing Sources and Uses	4,895	4,064	313,040	7,238	(2,812)	314,862	(8,095)	199,388	13,899	421,174
Prior Period Adjustments and Restatements	—	—	—	285,522	(163,343)	—	—	—	—	(2,186)
Changes in Accounting Principles	—	—	—	—	—	—	—	—	—	652,961
Net Change in Fund Balances	2,779,403	3,224,017	(5,219,815)	(5,197,594)	5,599,373	5,737,630	3,688,273	9,715,244	4,497,239	(6,138,796)
Debt Service as a Percentage of Noncapital Expenditures	1.97%	1.71%	1.47%	1.16%	1.43%	1.60%	2.18%	0.96%	1.02%	0.96%

NOTES:

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

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



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

SCHEDULE B-1

Fiscal Value	Ending Fund Market Value ^a	Nonspendable Fund Assets	Assigned Fund Assets ^b	Assigned Fund Assets ^c	Total Fund Return
2009	29,916	29,496	—	420	-18.0%
2010	33,255	32,045	—	1,210	11.7%
2011	40,140	37,832	—	2,308	20.6%
2012	40,333	38,252	—	2,081	—%
2013	44,853	40,800	—	4,054	10.9%
2014	51,214	45,002	—	6,211	15.5%
2015	52,801	45,638	—	7,163	4.9%
2016	52,770	44,200	—	8,570	1.0%
2017	59,785	46,970	—	12,815	12.6%
2018	64,894	46,030	2,723	16,142	10.7%

Annual Rate of Return by Asset Class ^c

Fiscal Year	Domestic Equities	International Equities	Global Equities	Domestic Bonds	Non-Dollar Bonds	Real Estate	Alternative Investments	Total Fund
2009	-24.8%	-31.3%	-31.4%	3.3%	3.6%	-18.4%	-13.2%	-18.0%
2010	15.9%	11.8%	11.6%	11.5%	7.9%	-0.6%	13.5%	11.7%
2011	33.4%	28.7%	31.5%	5.3%	0.6%	16.9%	12.2%	20.6%
2012	2.3%	-14.6%	-4.7%	7.8%	6.5%	11.4%	1.4%	—%
2013	22.4%	12.3%	19.7%	0.4%	1.7%	10.8%	6.7%	10.9%
2014	27.0%	20.2%	25.0%	4.8%	5.5%	12.7%	13.5%	15.50%
2015	7.2%	-5.2%	1.2%	1.2%	-2.4%	9.8%	39.8%	4.9%
2016	-0.1%	-9.4%	-4.0%	5.3%	7.3%	12.6%	4.9%	1.0%
2017	20.1%	22.6%	18.8%	2.0%	2.8%	4.5%	13.4%	12.6%
2018	14.8%	8.4%	11.5%	-0.6%	1.7%	6.6%	16.8%	10.7%

SOURCE:

Alaska Permanent Fund Corporation

NOTES:

- ^a The Alaska Permanent Fund is made up of two parts: nonspendable and assigned assets. The nonspendable portion of the fund is invested in perpetuity and cannot be spent without amending the state constitution through a majority vote of the people.
- ^b Committed fund assets are realized earnings of the Fund which have been designated by appropriation for a specific purpose and meet other criteria as defined by Generally Accepted Accounting principles. During FY 18, legislation was passed which provides for a transfer from the Earnings Reserve Account to the General Fund for the payment of unrestricted General Fund expenditures, including the dividend. The FY 18 committed balance reflects the \$2.7 billion transfer to occur during FY 19.
- ^c Assigned fund assets are defined in Alaska statute as the accumulation of cash flow and net realized gains from investments and are subject to appropriation by the Legislature. Historically, the assigned fund assets have primarily been used to distribute portion of realized earnings to the citizens of Alaska and to protect the nonspendable fund assets from inflation. The assigned fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The assigned fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer each year. The nonspendable and assigned fund assets are commingled for investment purposes.
- ^d Returns are shown by major asset class only and are unaudited.

REVENUE BASE (Last Ten Fiscal Years)

Fiscal Year	Oil Severance Taxes	
	Well-Head Value	Weighted Average Severance Tax Rate **
2009	\$61.96 per barrel	33.6%
2010	\$68.89 per barrel	29.1%
2011	\$87.82 per barrel	37.3%
2012	\$104.28 per barrel	42.7%
2013	\$97.81 per barrel	38.6%
2014	\$97.15 per barrel	27.9%
2015	\$63.17 per barrel	35.0%
2016	\$32.65 per barrel	35.0%
2017	\$39.77 per barrel	35.0%
2018*	\$54.10 per barrel	35.0%

* Fiscal Year 18 information is preliminary and subject to change. For FY 18, 35% was the statutory tax rate applied to net production tax value. However, due to the low price of oil, most companies paid an alternative gross minimum tax of 4%, even if they had a net operating loss.

**Production tax rate is applied to net production value.

REVENUE RATE: The method of calculating production tax revenue changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT) and on July 1, 2007 with the implementation of the Alaska Clear and Equitable Share (ACES) and on January 1, 2014 with the implementation of the Senate Bill 21 (SB21) tax system.

Production tax revenue under the PPT, ACES, and SB21 is calculated as follows with difference between PPT, ACES and SB21 shown in the notes:

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

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

^a The total number of barrels of oil equivalent produced

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

^b Minus the number of royalty barrels

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

^c Multiplied by the wellhead value

Destination value minus allowable marine and transportation costs of each barrel

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

³ Tax Rate = PPT: The production tax rate is 22.5% of the petroleum value minus costs ("net income"). A progressive surcharge of .25% is added for every dollar that this "net income" per barrel exceeds \$40. Total maximum tax rate is 47.5%. ACES: The production tax rate is 25% of the petroleum value minus costs ("net income"). A progressive surcharge of .4% is added for every dollar that this "net income" per barrel exceeds \$30 and is less than \$92.50. At \$92.50 the progressive surcharge changes to .1% for every additional dollar in net value. Total maximum tax rate is 75% in net value. Total maximum tax rate is 75%. SB21: The production tax rate is 35% of the petroleum value minus costs.

⁴ Credits = PPT: Includes a 20% credit for all qualified capital expenditures, 20% credit for eligible transition expenditures, and a small producer credit of up to \$12 million per year for qualified companies. ACES: Includes a 20% credit for all qualified capital expenditures, and a small producer credit of up to \$12 million per year for qualified companies. SB21: Includes a per-taxable-barrel credit of \$0 to \$8 per barrel, depending on oil prices, and a small producer credit of up to \$12 million per year for qualified companies.

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

	2018	2009
Alaska Statute 43.05.230 prohibits naming individual tax payers.	Five oil companies account for 99.7% of severance tax.	Five oil companies account for more than 99.7% of severance tax.
Amount of Revenue Base	Five oil companies account for 168,383 thousand of barrels of oil production.	Five oil companies account for 249,945 thousand barrels of oil production.
Percent of top payers to total oil production	86.4%	99.3%
Percent of top payers to total production tax revenue	99.7%	99.7%

SOURCE:

Alaska Department of Revenue, Tax Division

STATE OF ALASKA
Revenue Capacity - Oil Royalties

SCHEDULE B-3

REVENUE BASE (Last Ten Fiscal Years)

Fiscal Year	Gross Number of Barrels (Restated) ²	Number of Barrels for Which Royalties are Charged (Restated) ²	Weighted Average ¹ Royalty Rate (Restated) ²
2009	249,822,728	31,886,096	12.76%
2010	232,161,261	29,679,047	12.78%
2011	219,360,412	27,863,774	12.70%
2012	212,436,387	26,738,403	12.59%
2013	195,668,338	24,612,682	12.58%
2014	196,682,149	24,326,218	12.37%
2015	182,434,070	22,602,841	12.39%
2016	183,971,024	22,583,746	12.28%
2017	184,900,530	23,092,893	12.49%
2018*	182,663,323	22,260,353	12.19%

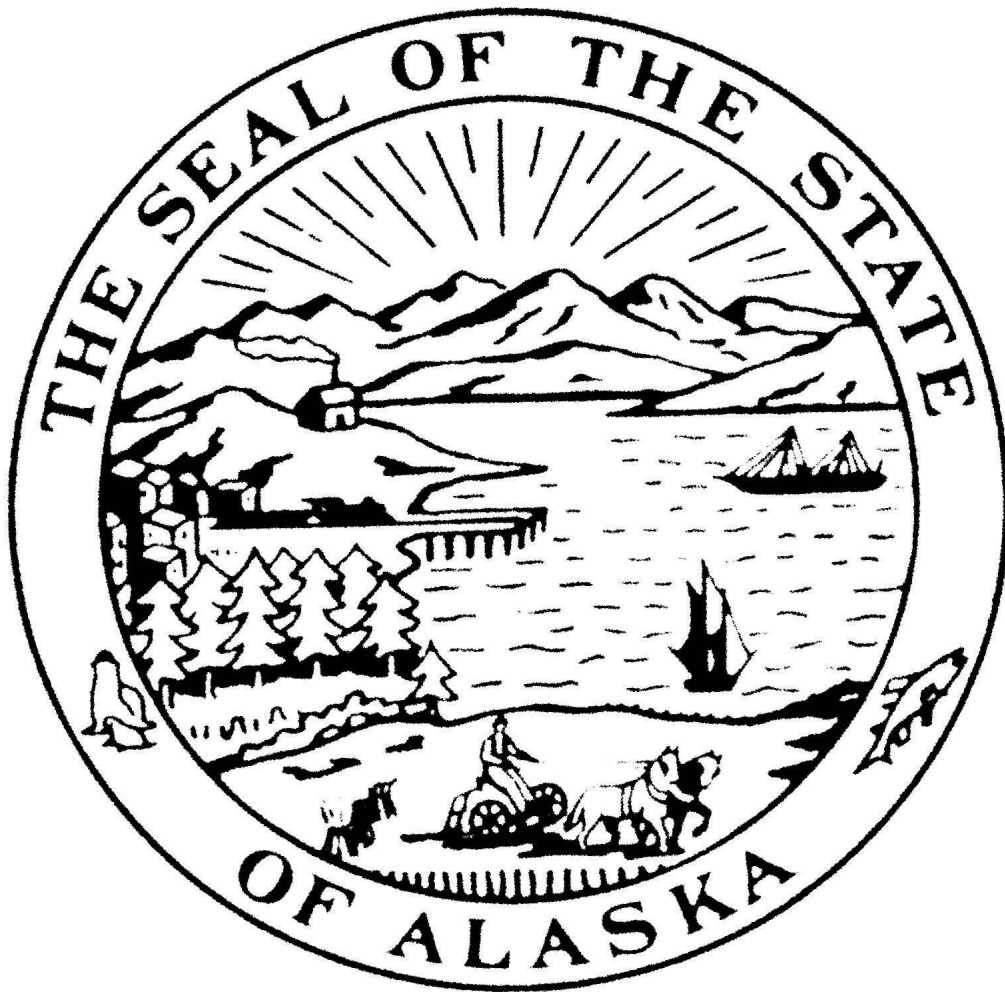
1. The royalty rate ranges from 5.00% to 33.33%, depending on lease terms. However, the majority of fields are charged at 12.50%. Per Article IX, Section 15 of the Alaska Constitution, "At least 25 percent of all mineral. . . royalties. . . received by the State shall be placed in a permanent fund..."
2. At the time of publication each year "Gross Number of Barrels", "Number of Barrels for Which Royalties are Charged" and various percentages are not final. These figures have been updated for the prior year with "final" figures.

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

	2018	2009
Top Payers	Royalties from British Petroleum, ConocoPhillips, ExxonMobil, Hilcorp, and Tesoro/PetroStar corporations comprise more than 92% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips and Flint Hills corporations comprise about 91% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips, ExxonMobil, Hilcorp, and Tesoro/PetroStar corporations paid royalty on over 20.5 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips and Flint Hills corporations paid royalty on about 29 million barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels:	92.44%	90.77%
Percent of top payers to total royalty revenue:	88.89%	84.03%

SOURCE:

Alaska Department of Natural Resources, Division of Oil and Gas



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STATE OF ALASKA

SCHEDULE C-1

Debt Capacity - Ratios of Outstanding Debt By Type

Last Ten Fiscal Years

(Stated in Thousands, Except Per Capita Amount)

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt				Business-type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Percentage of Personal Income ^a	Per Capita ^a	Tobacco Revenue Bonds	Sport Fishing Revenue Bonds	Certificates of Participation	Capital Leases	International Airports Revenue Bonds	Total Primary Government		
2009	520,019	1.72%	765	372,374	57,802	51,415	410,846	582,893	1,995,349	6.60%	2,936
2010	489,517	1.62%	707	371,298	54,455	45,605	410,085	562,006	1,932,966	6.40%	2,792
2011	655,633	2.08%	923	370,677	51,859	39,600	392,636	593,597	2,104,002	6.67%	2,962
2012	609,961	1.85%	845	365,871	48,274	11,375	380,131	579,579	1,995,191	6.05%	2,763
2013	893,966	2.47%	1,221	360,774	42,272	4,910	341,765	565,029	2,208,716	6.11%	3,016
2014	691,720	1.88%	939	353,680	37,441	3,345	329,417	513,685	1,929,288	5.23%	2,620
2015	656,599	1.68%	893	348,696	33,134	35,277	308,262	497,155	1,879,123	4.82%	2,555
2016	921,144	2.24%	1,245	342,410	29,360	31,919	293,769	474,477	2,093,079	5.10%	2,829
2017	859,532	2.08%	1,162	335,881	20,561	30,149	268,938	439,837	1,954,898	4.74%	2,642
2018	793,697	1.88%	1,077	311,842	17,461	28,214	254,324	402,048	1,807,586	4.27%	2,452

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements.

^a See Schedule D-1, Demographic and Economic Information - Statistics, for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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

STATE OF ALASKA

SCHEDULE C-2

Debt Capacity - Pledged-Revenue Coverage

Last Ten Fiscal Years

(Stated in Thousands)

Fiscal Year	Gross Revenue	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
International Airports Revenue Bonds: ^a						
2009	\$ 103,668	\$ 72,164	\$ 31,504	\$ 19,880	\$ 29,711	0.64
2010	110,811	64,368	46,443	6,085	28,491	1.34
2011	110,835	72,203	38,632	7,040	27,447	1.12
2012	106,061	79,770	26,291	13,150	28,047	0.64
2013	104,550	79,765	24,785	13,740	27,468	0.60
2014	118,826	84,691	34,135	14,350	26,862	0.83
2015	135,387	94,615	40,772	15,860	24,346	1.01
2016	137,849	71,433	66,416	16,725	23,578	1.65
2017	144,540	97,933	46,607	18,720	21,677	1.15
2018	150,349	85,158	65,191	11,365	19,902	2.08
Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: ^b						
2009	\$ 30,972	\$ —	\$ 30,972	\$ —	\$ 19,834	1.56
2010	25,294	—	25,294	—	19,750	1.28
2011	23,598	—	23,598	—	18,092	1.30
2012	24,072	—	24,072	—	17,837	1.35
2013	24,094	—	24,094	645	17,546	1.32
2014	25,856	—	25,856	3,660	17,238	1.24
2015	23,386	—	23,386	5,325	16,835	1.06
2016	24,433	—	24,433	9,670	16,529	0.93
2017	24,380	—	24,380	13,480	16,159	0.82
2018	41,458	—	41,458	9,615	15,775	1.63
Sport Fishing Revenue Bonds: ^c						
2009	\$ 6,636	\$ —	\$ 6,636	\$ 2,385	\$ 2,831	1.27
2010	5,825	—	5,825	2,485	2,649	1.13
2011	5,957	—	5,957	2,580	2,510	1.17
2012	6,025	—	6,025	3,015	2,075	1.18
2013	5,755	—	5,755	5,600	2,145	0.74
2014	6,334	—	6,334	4,540	1,902	0.98
2015	6,476	—	6,476	4,030	1,619	1.15
2016	6,712	—	6,712	3,355	1,538	1.37
2017	6,875	—	6,874	8,170	1,392	0.72
2018	6,536	—	6,536	2,830	986	1.71

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements. Gross revenues include nonoperating interest and investment income. Operating expenses do not include interest, depreciation or amortization expenses. Additional details regarding revenues and expenses can be found in the combining fund statements of this CAFR.

^a The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.

^b Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation (NTSC), which was incorporated on September 29, 2000. NTSC revenues include Tobacco Settlement Revenues (TSRs) and investment earnings, both of which are pledged as security under the revenue bond indentures.

^c Sport Fishing Revenue Bonds were sold April 11, 2006. The coverage reflected is surcharge revenue only as required in the additional bonds test. Additional coverage is provided from the base license fee, king salmon stamp fee, and certain federal receipts which are also pledged to repayment of the bonds.

STATE OF ALASKA

SCHEDULE D-1

Demographic and Economic Information - Statistics

Last Ten Calendar Years

Year	Population ¹	Personal Income (Stated in Millions) ²	Alaska Per Capita Personal Income ²	United States Per Capita Personal Income ²	Median Age ¹	Unemployment Rate ¹
2008	679,720	\$ 30,224	\$ 44,039	\$ 40,208	33.5	6.7%
2009	692,314	30,180	43,209	39,626	33.5	8.0%
2010	710,231	31,562	44,205	39,945	33.8	8.0%
2011	722,190	33,003	45,665	41,560	33.9	7.6%
2012	732,298	36,159	49,436	43,735	34.1	7.0%
2013	736,399	36,867	50,150	44,765	34.3	6.5%
2014	735,601	38,974	52,901	46,129	34.4	6.8%
2015	737,183	41,032	55,307	49,571	34.5	6.4%
2016	739,828	41,283	55,646	49,246	34.7	6.6%
2017	737,080	42,301	57,179	51,640	34.9	7.2%

SOURCES:

¹ Alaska Department of Labor and Workforce Development, Research and Analysis Section

² U.S. Department of Commerce, Bureau of Economic Analysis

NOTE:

At the time of preparation, data provided by the U.S. Department of Commerce, Bureau of Economic Analysis is preliminary.

Demographic and Economic Information - Employment by Industry
Calendar Year 2017 and Period Nine Years Prior

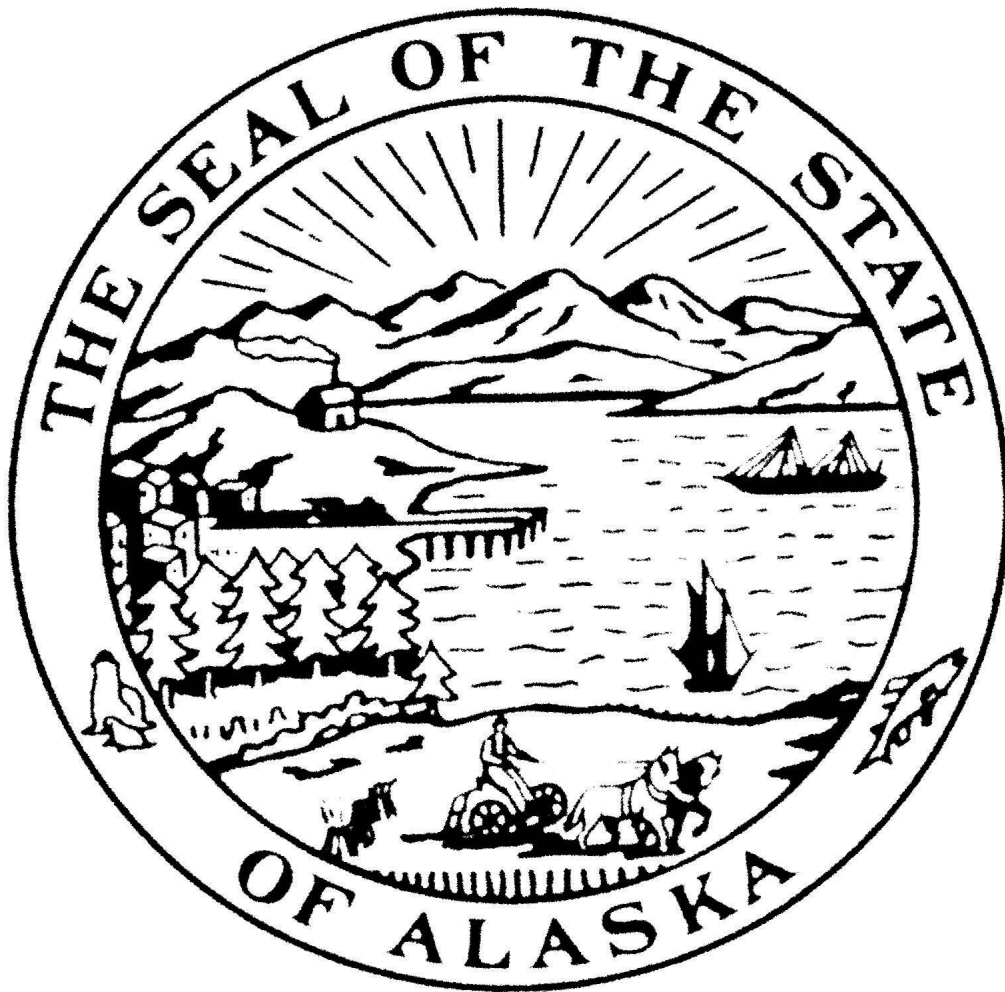
Year	2017			2008		
	Employment	Rank	Percentage of Total State Employment	Employment	Rank	Percentage of Total State Employment
Retail Trade	37,400	1	10.69%	27,800	2	8.10%
Health Care	36,300	2	10.37%	36,100	1	10.52%
Local Government Education	22,600	3	6.46%	22,600	3	6.59%
Transportation, Warehousing, Utilities	22,000	4	6.29%	21,900	4	6.38%
Food Service and Drinking Places	21,500	5	6.14%	19,400	6	5.65%
Military	21,100	6	6.03%	21,100	5	6.15%
Local Government (Non Education)	18,800	7	5.37%	17,700	8	5.16%
State Government (Non Education)	16,600	8	4.74%	17,800	7	5.19%
Construction	15,100	9	4.31%	17,400	9	5.07%
Federal Government (Non Military)	15,100	10	4.31%	16,900	10	4.93%
Total	<u>226,500</u>		<u>64.71%</u>	<u>218,700</u>		<u>63.74%</u>
Total Employment ^a	<u>350,000</u>			<u>343,100</u>		

SOURCE:

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

NOTES:

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



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STATE OF ALASKA

SCHEDULE E-1

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government	2,559	2,534	2,274	2,330	2,250	2,213	2,272	2,248	2,158	2,225
Education	277	343	383	410	403	402	421	434	432	419
University	74									
Health and Human Services	2,674	2,708	2,968	3,183	3,035	2,988	2,930	2,921	2,873	2,694
Law and Justice	1,517	1,523	1,616	1,717	1,670	1,659	1,710	1,685	1,671	1,642
Public Protection	3,510	3,572	3,661	3,665	3,794	3,617	3,481	3,511	3,582	3,540
Natural Resources	1,601	1,604	2,045	2,231	2,137	2,140	2,230	2,195	2,131	2,031
Development	577	583	631	694	709	784	812	826	822	775
Transportation	2,641	2,704	2,979	3,042	2,961	3,045	3,169	3,131	3,052	3,060
Totals	<u>15,430</u>	<u>15,571</u>	<u>16,557</u>	<u>17,272</u>	<u>16,959</u>	<u>16,848</u>	<u>17,025</u>	<u>16,951</u>	<u>16,721</u>	<u>16,386</u>

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

STATE OF ALASKA

SCHEDULE E-2

Operating Information - Operating Indicators by Function
Last Ten Fiscal Years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Alaska Permanent Fund Dividend										
Number of Dividends Paid ^a		632,685	636,790	640,386	636,088	633,017	640,700	644,156	641,112	623,707
Education										
Student Enrollment in State Supported Schools (pre-elementary through grade 12)	133,381	133,223	132,966	131,882	131,577	132,185	131,682	132,104	131,662	130,685
University										
Student Enrollment in the State University System (average head count over both semesters)	27,339	28,480	30,298	31,587	32,363	33,654	35,082	34,528	33,821	31,888
Health and Human Services										
Medicaid Beneficiaries	189,361	178,365	187,097	151,591	156,595	138,790	136,913	132,991	134,535	123,791
Temporary Assistance Caseload	5,372	5,660	5,586	3,195	3,547	3,661	3,803	3,619	3,198	3,027
Protective Services Reports Regarding Children	22,253	18,339	16,889	15,958	15,859	15,721	16,288	16,067	14,629	13,441
Law and Justice										
Criminal Caseload - Misdemeanors	17,909	14,721	17,091	22,196	21,327	21,710	21,672	23,138	23,818	22,351
Criminal Caseload - Felonies and Appeals	7,672	6,335	5,418	7,441	8,500	8,752	8,233	8,592	8,571	7,796
Civil Caseload	6,097	5,491	5,960	6,201	6,065	6,133	6,485	6,116	6,493	6,290
Public Protection										
Adult Offenders in Correctional Facilities	4,862	5,150	5,904	6,288	6,304	6,120	6,023	5,864	5,602	5,319
Juvenile Offenders in Detention or Treatment Facilities	166	171	139	170	158	157	199	185	211	202
National Guard Assigned Strength in Alaska	3,834	3,787	3,940	3,847	3,968	3,860	3,949	4,043	3,845	3,785
Number of Homicides Investigated by State Troopers	18	19	25	28	18	22	14	18	9	15
Natural Resources										
Wholesale Value of Alaska Commercial Fish Harvests (stated in thousands of dollars) ^a		4,855,213	4,157,269	4,151,623	2,815,654	3,158,152	2,841,699	2,903,915	2,497,060	1,970,607
Recreation Acres State Owned or Maintained	12,652,683	12,652,603	12,652,523	12,626,004	12,622,086	12,622,881	12,622,881	11,892,818	11,931,889	11,834,483
State Timber Sold Annually (million board feet)	8.0	11.3	6.8	20.9	28.5	9.0	22.5	24.1	12.5	15.5
State Acreage Leased for Oil and Gas Development ^c	4,996,840	5,343,661	6,161,719	5,752,866	5,857,373	5,938,891	5,398,580	6,150,545	6,669,020	6,969,870
Placer Mines Permitted	295	313	292	403	430	603	562	486	107	194
Development										
Number of State Business Licenses	73,952	73,085	70,263	68,935	68,503	51,310	66,737	63,618	65,096	59,751
Transportation										
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK ^a		1.41	1.58	1.29	1.50	1.05	1.23	1.57	1.17	1.30
State Ferry Route Miles	3,290	3,290	3,290	3,290	3,290	3,290	3,290	3,274	2,829	2,829
Intergovernmental Revenue Sharing										
Number of Communities that Receive a Portion of Shared Taxes and Fees	141	145	142	150	144	144	144	147	148	146
Loans										
Number of Loans in Portfolio	1,537	1,563	1,534	1,515	1,643	1,668	1,846	2,158	2,280	2,064
Unemployment Compensation										
Initial Claims Paid ^a		60,641	64,979	67,060	72,998	83,554	79,743	72,696	94,592	122,830

**Operating Information - Operating Indicators by Function
Last Ten Fiscal Years**

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Airports ^b										
Landings:										
Jets	59,908	55,413	53,487	60,909	61,637	62,998	66,787	71,499	69,927	65,945
Other Aircraft	51,548	56,375	59,657	51,504	51,850	46,812	46,432	45,632	42,959	45,399
Passengers:										
In	3,317,932	3,298,767	3,311,305	3,178,340	3,043,991	2,947,939	2,961,887	2,926,922	2,804,494	2,926,772
Out	3,312,723	3,300,949	3,321,417	3,167,655	3,030,809	2,494,044	2,955,646	2,939,191	2,823,969	2,893,374
Through	53,246	50,173	42,358	90,291	105,266	106,914	150,449	221,529	240,331	227,164
Freight (in tons):										
In	672,129	313,317	325,244	350,231	387,142	426,802	496,126	414,014	361,019	288,650
Out	706,253	341,913	381,388	317,992	326,308	374,096	441,201	374,048	326,277	326,797

SOURCES:

Various state departments and the University of Alaska.

NOTES:

Indicators are not available for the general government function.

^a Data is only provided on a calendar year basis.

^b Data is for the Anchorage and Fairbanks International Airports.

^c Includes both onshore and offshore acres.

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

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Primary Government:										
General Government										
Buildings (square feet)	1,061,752	1,172,468	971,343	937,638	941,144	932,305	921,990	891,302	828,694	880,198
Education										
Buildings (square feet)	1,706,760	1,720,970	1,739,362	1,886,872	1,922,210	2,010,102	2,180,240	2,037,695	2,200,336	2,340,905
Schools	77	80	79	92	94	97	114	106	111	119
Schools Under Construction	10	8	11	16	29	28	25	23	36	39
Health and Human Services										
Buildings (square feet)	1,248,516	1,301,564	1,267,830	1,281,004	1,269,375	1,258,620	1,188,573	1,157,282	1,103,295	1,065,828
Pioneer Homes	6	6	6	6	6	6	6	6	6	6
Law and Justice										
Buildings (square feet)	708,302	732,146	690,114	691,178	698,420	698,636	693,392	667,637	641,456	649,529
Court Buildings	12	13	13	13	13	13	13	13	13	13
Public Protection										
Buildings (square feet)	1,638,852	1,716,920	1,564,052	1,475,111	1,586,955	1,523,692	1,411,646	1,391,021	1,375,250	1,400,619
Correctional Institutions	12	14	13	13	13	13	11	11	11	11
Aircraft	12	12	12	19	19	17	18	18	16	16
Motor Vessels	15	20	18	25	24	23	22	22	22	22
National Guard Armories	20	20	21	21	21	21	21	21	21	21
Natural Resources										
Buildings (square feet)	747,522	771,156	873,340	897,974	894,020	901,530	904,724	869,809	818,066	803,675
Parks Acreage	3,393,904	3,393,824	3,393,744	3,357,444	3,357,393	3,357,393	3,357,393	3,300,000	3,381,858	3,356,810
Forest Acreage	2,134,899	2,134,899	2,134,899	2,144,680	2,144,680	2,144,680	2,144,680	2,121,499	2,122,899	2,097,608
Other State Land Acreage	94,981,149	94,982,598	94,985,055	94,991,360	94,964,340	94,966,591	94,909,670	92,134,583	91,858,588	90,309,649
Aircraft	5	5	5	5	5	3	3	3	3	3
Motor Vessels	10	10	10	10	11	11	11	9	9	9
Development										
Buildings (square feet)	269,407	269,559	269,452	279,392	296,453	330,084	329,430	327,102	315,477	306,678
Transportation										
Buildings (square feet)	1,233,108	1,299,713	1,272,699	1,224,279	1,238,694	1,282,466	1,285,261	1,240,569	1,172,039	1,210,953
Light Duty Vehicles	3,324	3,527	3,623	3,730	3,686	3,097	3,225	3,461	3,822	3,756
Heavy Duty Utility Vehicles	2,842	2,233	2,219	2,238	2,236	2,162	2,102	2,064	1,847	1,781
Ferries	11	11	11	11	11	11	11	11	11	11
Building Projects Under Construction	153	135	115	151	173	167	152	166	154	119
Rural Airports	237	242	242	247	254	253	253	252	253	256
Rural Airport Projects Under Construction	283	311	407	381	372	357	401	373	394	409
Centerline Road Miles ^a		5,629	5,629	5,612	5,592	5,589	5,609	5,608	5,619	5,601
Highway Projects Under Construction	842	1,040	874	832	897	910	831	827	807	801
Business-type Activities:										
Airports (Anchorage and Fairbanks International)										
Terminals (square feet)	1,320,737	1,320,737	1,320,737	1,320,737	1,320,737	1,320,737	1,271,568	1,271,568	1,271,568	1,295,864
International Airport (acreage)	8,288	8,288	8,288	8,288	8,288	8,168	8,244	8,244	8,244	8,244
International Airport Projects Under Construction	121	121	99	94	83	94	98	122	107	117
Runways (miles)	10	10	10	10	10	10	10	8	8	8

NOTES:

^a Centerline road miles are calculated on a calendar year basis.

Index of Funds



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Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
1 Cent Per Barrel of Oil Produced Surcharge	AS 46.08.020 AS 43.55.201	No	GF	3.01, 3.02
4 Cent Per Barrel of Oil Produced Surcharge	AS 46.08.020 AS 43.55.300	No	GF	3.01, 3.02
2008 Transportation Project (GO Bonds)	Ch 30, SLA 2008	Yes	CPF	3.51, 3.52
2010 Education Project (GO Bonds)	Ch 95, SLA 2010	Yes	CPF	3.51, 3.52
2012 Transportation Project (GO Bonds)	Ch 18, SLA 2012	Yes	CPF	3.51, 3.52
Abandoned Motor Vehicles	AS 28.11.110	No	GF	3.01, 3.02
Adak Airport Operations	PL 101-510	No	GF	3.01, 3.02
Agricultural Revolving Loan	AS 03.10.040	Yes	OAEF	4.31 - 4.33
Alaska Aerospace Corporation	AS 26.27.010	Yes	DPCU	6.01, 6.02
Alaska Capital Income	AS 37.05.565	No	GF	3.01, 3.02
Alaska Capstone Avionics Revolving Loan	AS 44.33.655	Yes	CAEF	4.11 - 4.13
Alaska Clean Water	AS 46.03.032	Yes	OAEF	4.31 - 4.33
Alaska Comprehensive Health Insurance Fund	AS 21.55.430	No	GF	3.01, 3.02
Alaska Debt Retirement	AS 37.15.011	No	GF	3.01, 3.02
Alaska Drinking Water	AS 46.03.036	Yes	OAEF	4.31 - 4.33
Alaska Energy Authority	AS 44.83.020	Yes	DPCU	6.01, 6.02
Alaska Fish and Game Revenue Bond Redemption	AS 37.15.770	Yes	DSF	3.41, 3.42
Alaska Gasline Development Corporation	AS 31.25.010	Yes	DPCU	6.01, 6.02
Alaska Gasline Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Higher Education Investment	AS 37.14.750	No	GF	3.01, 3.02
Alaska Historical Commission Receipts Account	AS 41.35.380	No	GF	3.01, 3.02
Alaska Housing Capital Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Housing Finance Corporation	AS 18.56.020	Yes	DPCU	1.41, 1.42
Alaska Industrial Development and Export Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.01, 3.02
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.01, 3.02
Alaska Mental Health Trust Authority	AS 47.30.011	Yes	DPCU	6.01, 6.02
Alaska Microloan Revolving Loan	AS 44.33.950	Yes	CAEF	4.11 - 4.13
Alaska Municipal Bond Bank Authority	AS 44.85.020	Yes	DPCU	6.01, 6.02
Alaska National Guard and Alaska Naval Militia Retirement System	AS 26.05.222	Yes	PTF	5.01, 5.02
Alaska Permanent Fund	Constitution, Art. IX, sec. 15	Yes	PF	1.11 - 1.14
Alaska Public Building	AS 37.05.570	Yes	ISF	4.41 - 4.43
Alaska Railroad Corporation	AS 42.40.010	Yes	DPCU	6.01, 6.02
Alaska Seafood Marketing Institute	AS 16.51.010	Yes	DPCU	6.01 - 6.04

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Alaska Senior Care	AS 47.45.360	No	GF	3.01, 3.02
Alaska State Council on the Arts	AS 44.27.040	Yes	SRF	3.31 - 3.33
Alaska Student Loan Corporation	AS 14.42.100	Yes	DPCU	6.01, 6.02
Alaska Technical and Vocational Education Program	AS 23.15.830	No	GF	3.01, 3.02
Alaska Transportation Infrastructure Bank	Section 350 of the NHSD Act of 1995 Federal Law	No	GF	3.01, 3.02
Alaska Veterans' Memorial Endowment	AS 37.14.700(a)	No	GF	3.01, 3.02
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13
Alcohol and Other Drug Abuse Treatment and Prevention	AS 43.60.050	No	GF	3.01, 3.02
Alcoholism and Drug Abuse Revolving Loan	AS 44.29.210	Yes	OAEF	4.31 - 4.33
Alternative Energy Conservation Revolving Loan	AS 45.88.010	Yes	EAEF	4.21 - 4.23
Alyeska Settlement Trust	Consent decree between U.S., Alaska, and Alyeska Pipeline Service Company	Yes	SRF	3.31 - 3.33
Anatomical Gift Awareness	AS 13.50.160(a)	No	GF	3.01, 3.02
Art in Public Places	AS 44.27.060	No	GF	3.01, 3.02
Assistive Technology Loan Guarantee	AS 23.15.125	No	GF	3.01, 3.02
Aviation Fuel Tax Account	AS 43.40.010(e)	No	GF	3.01, 3.02
Building Safety Account	AS 44.31.025	No	GF	3.01, 3.02
Bulk Fuel Revolving Loan	AS 42.45.250	Yes	EAEF	4.21 - 4.23
Civil Legal Services	AS 37.05.590	No	GF	3.01, 3.02
Clean Air Protection	AS 46.14.260 Federal Clean Air Act	Yes	SRF	3.31 - 3.33
Commercial Charter Fisheries Revolving Loan	AS 16.10.801	Yes	CAEF	4.11 - 4.13
Commercial Fishing Revolving Loan	AS 16.10.340	Yes	CAEF	4.11 - 4.13
Commercial Passenger Vessel Environmental Compliance	AS 46.03.482	No	GF	3.01, 3.02
Commercial Vessel Passenger Tax	AS 43.35.220 AS 43.52.230(a)	No	GF	3.01, 3.02
Community Quota Entity Revolving Loan	AS 16.10.345	Yes	CAEF	4.11 - 4.13
Community Revenue Sharing	AS 29.60.850	No	GF	3.01, 3.02
Constitutional Budget Reserve	Constitution, Art. IX, sec. 17 AS 37.13	Yes	GF	3.01, 3.02
Crime Victims Compensation	AS 18.67.162	No	GF	3.01, 3.02
Deferred Compensation	AS 39.45.010	Yes	PTF	5.01, 5.02
Deposits, Suspense, and Miscellaneous		Yes	AF	5.11, 5.12
Disaster Relief	AS 26.23.300	No	GF	3.01, 3.02
Donated Commodity Fee	USC 7 CFR, Part 250	No	GF	3.01, 3.02

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Educational Facilities Maintenance and Construction	AS 37.05.560	No	GF	3.01, 3.02
Election	Federal H.R. 3295	No	GF	3.01, 3.02
Employment Assistance and Training Program Account	AS 23.15.625	No	GF	3.01, 3.02
Exxon Valdez Oil Spill Investment Trust	PL 106-113	Yes	AF	5.11, 5.12
Exxon Valdez Oil Spill Restoration	U.S. District Court Judgment	Yes	SRF	3.31 - 3.33
Exxon Valdez Settlement Trust	AS 37.14.400	Yes	SRF	3.31 - 3.33
Federal Highway Administration - Airspace Leases	Section 156 of the USSTURAA of 1987	No	GF	3.01, 3.02
Federal Insurance Contributions Act Administration	AS 39.30.050	No	GF	3.01, 3.02
Fish and Game	AS 16.05.100	Yes	SRF	3.31 - 3.33
Fisheries Disaster	PL 108-7, Sec. 2, Division N, Title V - Fisheries Disasters, Sec. 501(a)	No	GF	3.01, 3.02
Fisheries Enhancement Revolving Loan	AS 16.10.505	Yes	CAEF	4.11 - 4.13
Fishermen's	AS 23.35.060	Yes	SRF	3.31 - 3.33
Fuel Emergency	AS 26.23.400	No	GF	3.01, 3.02
Fund for the Improvement of School Performance	AS 14.03.125	No	GF	3.01, 3.02
General Fund	Operating fund of the State	Yes	GF	3.01, 3.02
General Obligation Bond Redemption	Various SLAs	Yes	DSF	3.41, 3.42
Group Health and Life Benefits	AS 39.30.095	Yes	ISF	4.41 - 4.43
Highways Equipment Working Capital	AS 44.68.210	Yes	ISF	4.41 - 4.43
Historical District Revolving Loan	AS 45.98.010	Yes	CAEF	4.11 - 4.13
Impact Aid	Federal PL 103-382	Yes	AF	5.11, 5.12
Information Services	AS 44.21.045	Yes	ISF	4.41 - 4.43
International Airports	AS 37.15.410-550	Yes	OAEF	1.21 - 1.23
Judicial Retirement System	AS 22.25.048	Yes	PTF	5.01, 5.02
Knik Arm Bridge and Toll Authority	AS 19.75.021	Yes	OAEF	4.31 - 4.33
Major Maintenance Grant	AS 14.11.007	No	GF	3.01, 3.02
Mariculture Revolving Loan	AS 16.10.900	Yes	CAEF	4.11 - 4.13
Memorial Education Revolving Loan	AS 14.43.255	No	GF	3.01, 3.02
Mine Reclamation Trust	AS 37.14.800	Yes	SRF	3.31 - 3.33
Mining Revolving Loan	AS 27.09.010	Yes	CAEF	4.11 - 4.13
Municipal Capital Project Matching Grant	AS 37.06.010	No	GF	3.01, 3.02
Municipal Harbor Facility Grant	AS 29.60.800	No	GF	3.01, 3.02
National Petroleum Reserve	AS 37.05.530	Yes	SRF	3.31 - 3.33
Northern Tobacco Securitization Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33

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Northern Tobacco Securitization Corporation Bond Redemption	AS 18.56.086	Yes	DSF	3.41, 3.42
Oil and Gas Tax Credit	AS 43.55.028	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention and Response	AS 46.08.010	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Prevention Mitigation Account	AS 46.08.020(b)	No	GF	3.01, 3.02
Oil and Hazardous Substance Release Response Mitigation Account	AS 46.08.025(b)	No	GF	3.01, 3.02
Originator Surety	AS 06.60.500	No	GF	3.01, 3.02
Peace Officer and Firefighter Survivor's Fund	AS 39.60.010	No	GF	3.01, 3.02
Permanent Fund Dividend	AS 43.23.045	Yes	GF	3.01, 3.02
Public Advocacy Trust	AS 44.21.410	Yes	AF	5.11, 5.12
Public Education	AS 14.17.300	Yes	GF	3.01, 3.02
Public Employees' Retirement System	AS 39.35.095-680 AS 39.35.700-990	Yes	PTF	5.01, 5.02
Public School Trust	AS 37.14.110	Yes	PF	3.11, 3.12
Railbelt Energy	AS 37.05.520	No	GF	3.01, 3.02
Randolph-Sheppard Small Business	AS 23.15.130 20 USC 107-107(f)	No	GF	3.01, 3.02
Real Estate Recovery	AS 08.88.450	No	GF	3.01, 3.02
Recidivism Reduction Fund	AS 43.61.010(c)	No	GF	3.01, 3.02
Reclamation Bonding Pool	AS 27.19.040	Yes	SRF	3.31 - 3.33
Regional Cruise Ship Impact Fund	AS 43.52.230(c)	No	GF	3.01, 3.02
Regional Educational Attendance Area School	AS 14.11.030	No	GF	3.01, 3.02
Residential Energy Conservation	AS 45.88.100	Yes	EAEF	4.21 - 4.23
Retiree Health	AS 39.35.535, AS 14.25.168, AS 22.25.090	Yes	PTF	5.01, 5.02
School	AS 43.50.140	Yes	SRF	3.31 - 3.33
School Construction Grant	AS 14.11.005	No	GF	3.01, 3.02
School Trust Land Sales	Attorney General Opinion	No	GF	3.01, 3.02
Second Injury	AS 23.30.040	Yes	SRF	3.31 - 3.33
State Insurance Catastrophe Reserve Account	AS 37.05.289	No	GF	3.01, 3.02
State Land Disposal Income	AS 38.04.022(a)	No	GF	3.01, 3.02
State Land Reforestation	AS 41.17.300	No	GF	3.01, 3.02
Statutory Budget Reserve	AS 37.05.540	Yes	GF	3.01, 3.02
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.01, 3.02
Teachers' Retirement System	AS 14.25.009-220 AS 14.25.310-590	Yes	PTF	5.01, 5.02

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Tobacco Use Education and Cessation	AS 37.05.580	No	GF	3.01, 3.02
Training and Building	AS 23.20.130(d)	No	GF	3.01, 3.02
Trans-Alaska Pipeline Liability (TAPS) Rebate	Federal PL 101-380	No	GF	3.01, 3.02
Trauma Care Fund	AS 18.08.085	No	GF	3.01, 3.02
Unemployment Compensation	AS 23.20.130	Yes	OAEF	4.31 - 4.33
Unincorporated Community Capital Project Matching Grant	AS 37.06.020	No	GF	3.01, 3.02
University of Alaska	AS 14.40.040	Yes	DPCU	1.41, 1.42
Vaccine Assessment	AS 18.09.230	No	GF	3.01, 3.02
Vocational Rehabilitation Small Business Enterprise Revolving	AS 23.15.130	No	GF	3.01, 3.02
Wage and Hour	AS 23.05.220	Yes	AF	5.11, 5.12
Workers' Compensation Benefits Guaranty	AS 23.30.082	No	GF	3.01, 3.02
Workers' Safety and Compensation Administration Account	AS 23.05.067	No	GF	3.01, 3.02

Legend of Acronyms



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LEGEND OF ACRONYMS

Acronym	Description
AAC	Alaska Aerospace Corporation
AAL	Actuarial Accrued Liabilities
ACPE	Alaska Commission on Postsecondary Education
ASCA	Alaska State Council on the Arts
AEA	Alaska Energy Authority
AF	Agency Fund
AGDC	Alaska Gasline Development Corporation
AHCC	Alaska Housing Capital Corporation
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
AIGA	Alaska Insurance Guarantee Association
ALAE	Allocated Loss Adjustment Expense
AMBBA	Alaska Municipal Bond Bank Authority
AMHTA	Alaska Mental Health Trust Authority
APFC	Alaska Permanent Fund Corporation
ARHCT	Alaska Retiree Health Care Trust
ARMB	Alaska Retirement Management Board
ARRC	Alaska Railroad Corporation
AS	Alaska Statute
ASCA	Alaska State Council on the Arts
ASLC	Alaska Student Loan Corporation
ASMI	Alaska Seafood Marketing Institute
CAEF	Commercial Assistance Enterprise Fund
CAFR	Comprehensive Annual Financial Report
CBRF	Constitutional Budget Reserve Fund
CFR	Code of Federal Regulations
CH	Chapter
COPs	Certificates of Participation
CPF	Capital Project Fund
CSED	Child Support Enforcement Division
DB	Defined Benefit
DCCED	Department of Commerce, Community, and Economic Development
DCP	Deferred Compensation Plan
DCR	Defined Contribution Retirement Plan
DPCU	Discretely Presented Component Unit
DSF	Debt Service Fund
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
DVR	Division of Vocational Rehabilitation
EAEF	Energy Assistance Enterprise Fund
EF	Enterprise Fund
EMGF	Emerging Markets Growth Fund
EPORS	Elected Public Officers Retirement System
EVOS	Exxon Valdez Oil Spill
FDIC	Federal Deposit Insurance Corporation
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FIFO	First In First Out
FNMA	Federal National Mortgage Association

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LEGEND OF ACRONYMS

Acronym	Description
FSSLA	First Special Session Laws of Alaska
FX	Foreign Currency
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GASBS	Governmental Accounting Standards Board Statement
GeFONSI	General Fund and Other Non-segregated Investments
GF	General Fund
GO	General Obligation
HRA	House Resolution
GF	General Fund
HRA	Health Reimbursement Arrangement
IAF	International Airport Fund
ISF	Internal Service Fund
JRS	Judicial Retirement System
MD&A	Management Discussion and Analysis
MEBA	Marine Engineers' Beneficial Association
MSA	Master Settlement Agreement
NGNMRS	National Guard and Alaska Naval Militia Retirement System
NHSD	National Highway System Designation
NMRT	Northwest Marine Retirement Trust
NPR	National Petroleum Reserve
NR	Not Reported in CAFR
NRSRO	Nationally Recognized Statistical Rating Organization
NTSC	Northern Tobacco Securitization Corporation
OAEF	Other Agencies Enterprise Fund
OAH	Office of Administrative Hearings
OD&D	Occupational Death and Disability
OPEB	Other Post-Employment Benefits
PERS	Public Employees' Retirement System
PERS-DB	Public Employees' Retirement System - Defined Benefit
PERS-DCR	Public Employees' Retirement System - Defined Contribution Retirement Plan
PF	Permanent Fund
PL	Public Law
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
RHF	Retiree Health Fund
RMP	Retiree Major Medical Insurance
RSAs	Reimbursable Services Agreements
SBJPA	Small Business Job Protection Act
SBPA	Standby Bond Purchase Agreement
SBS	Supplemental Benefits System
SF	Sport Fish
SIR	Self-Insured Retention
SLA	Session Laws of Alaska
SRF	Special Revenue Fund
SSOA	Shared Services of Alaska

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LEGEND OF ACRONYMS

Acronym	Description
SSSLA	Second Special Session Laws of Alaska
TAPS	Trans-Alaska Pipeline System
TIPS	Treasury Inflation Protected Securities
TRS	Teachers' Retirement System
TRS-DB	Teachers' Retirement System - Defined Benefit
TRS-DCR	Teachers' Retirement System - Defined Contribution Retirement
TSR	Tobacco Settlement Revenues
UAAL	Unfunded Actuarial Accrued Liabilities