APPENDIX P

"A Day in the Life of the GeFONSI"

The GeFONSI held a balance of $911 million at the close of business on January 21, 1997. More than 100 separate funds had money invested in the GeFONSI at that time.

The major participants, by fund type, in the commingled fund portion of the GeFONSI on January 21, 1997 were:

Description	Fund Type	Number of Funds	1/21/97 Investment Balance (millions)
General Fund Group – General Fund	Governmental	1	312
General Fund Group – Other Subfunds	Governmental	37	296
Special Revenue Funds	Governmental	7	27
Capital Project Funds	Governmental	6	10
Enterprise Funds	Proprietary	17	120
Internal Service Funds	Proprietary	4	13
Trust and Agency Funds	Fiduciary	9	126
Treasury “funds” *	NA *	11	(2)
Component Units	Various	7	9

* As explained elsewhere in this section, Treasury funds are not funds as defined by the Governmental Accounting Standards Board. These particular funds are the clearing accounts for the separately invested Treasury Pools.

a. The General Fund

The Alaska Administrative Manual describes the state general fund as follows:

> The general fund is the general operating fund of the state. 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...(AAM 20.110)[1]

The names used in the State's accounting system for the funds that are related to the general fund are extremely confusing. Sometimes the term "general fund" refers to only one subfund in the General Fund Group; sometimes the term "General Fund" refers to the consolidation of all the subfunds in the General Fund Group. For example, all of the subfunds in the "General Fund Group" are consolidated with the general fund and labeled as the "General Fund" for financial reporting purposes (see AAM 20.080 - General Fund and State of Alaska's

[1] The Alaska Administrative Manual is a publication promulgated by the Department of Administration under the authority of AS 37.05.020. The manual covers the State accounting system, expenditure certification, fund structure and description, encumbrance procedure, budget procedure, expenditure procedure, revenue accounting procedure, accounts receivable procedure, property and equipment accounting, travel procedures, procurement procedures, professional services procurement, and personnel administration procedures. This particular provision of the Alaska Administrative Manual is somewhat dated. The "general fund" is now expressly recognized in Article IX, Section 17(d) of the Alaska Constitution - a provision requiring the return of the excess "general fund" year-end balance to the Constitutional Budget Reserve Fund (CBRF) in those situations where money has earlier been appropriated out of the CBRF. In addition, the "general fund" is expressly recognized in the following provisions of the Alaska Statutes: AS 37.05.146, AS 37.05.510-560, and AS 37.10.420.

Article IX, Section 12 provides that "No money shall be withdrawn from the treasury except in accordance with appropriations made by law." From time to time, the question has arisen whether "the treasury" and "the general fund" are one and the same. While the escrow fund at issue in Carr-Gottstein v. State 899 P.2d 136 (Alaska 1995) was held not to be part of the "treasury," the Court's discussion of the issue supports the conclusion that the "treasury" included much more than the general fund.

Comprehensive Annual Report Fiscal Year Ended June 30, 1996, pages 70-71). The Division of Finance, Department of Administration regards the "General Fund," as reported in the Comprehensive Annual Financial Report, as the "General Fund" for legal and accounting purposes. Internally, the Division of Finance refers to this fund as the *legal general fund*. Portions of the *legal general fund* have been designated for other uses. Because of these designations, the total assets of the *legal general fund* are not available to pay for the day-to-day needs of the State. Consequently, the Division of Finance created a subfund of the *legal general fund*, that is also called the general fund. Internally, the Division of Finance refers to this fund as the operating general fund. The operating general fund contains the assets of the *legal general fund* that are available for day-to-day operations. For purposes of this manual we will use the capitalized term "General Fund" when discussing the legal or accounting entity (the *legal general fund* with its numerous subfunds) and the uncapitalized term, "general fund" when referring only to that portion of the General Fund which is available to meet day-to-day operational needs (the *operating general fund*).

How should the State treat the $300 million in the non-general fund sub-funds in the General Fund? These subfunds, for the most part, pertain to normal day-to-day government operations that accountants operating under GASB conventions would classify as a "general fund activity." Why has the Legislature established these additional subfunds to account for this activity rather than accounting for the activity in the general fund? For the most part, the Legislature established these subfunds in response to the dedicated funds prohibition in the Alaska Constitution.

Article IX, Section 7 of the Alaska Constitution prohibits dedicated funds as follows:

> **Dedicated Funds**. The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

To avoid the prohibition the Legislature has, in some instances, designated a specific source of revenue (e.g., receipts from ticket sales from the Alaska Marine Highway System) to a specially designated subfund of the General Fund (the Alaska Marine Highway Fund) thus apparently avoiding the dedication prohibition by labeling the pertinent fund as a subfund[2] in the General Fund and creating only a "moral" - not a legal - obligation to appropriate for the designated purpose. All of these subfunds require an express appropriation before the money in the subfund can be expended. This practice - specifically as it pertained to the Alaska Marine Highway Fund - was approved by the Alaska Supreme Court in Sonneman v. Hickel 836 P.2d 936 (Alaska 1992). Other examples of subfunds that similarly receive funds that can be disbursed only after a subsequent appropriation include the Oil and Hazardous Substance Release Response Fund and the Art in Public Places Fund.

Other subfunds in the General Fund have resulted from a one-time lump sum appropriation of a reserve of money where the investment income from that lump sum ("corpus") has then been reserved for a specific governmental program (e.g., the Power Cost Equalization Fund). By law, these funds and the income from

[2] The statutes creating these subfunds also may use the term of the General Fund.

these funds may only be expended after the Legislature specifically appropriates them.

Finally, there are several other subfunds in this group that have resulted from a single lump sum appropriation that was expected to be disbursed as a consequence of subsequent appropriations over many years. The appropriations creating those funds have typically been the result of political compromises to accommodate competing interests for large capital expenditures (e.g., the Railbelt Energy Fund and the Southeast Energy Fund). Here too, by law, the Legislature must specifically appropriate from these "funds" before the amounts in them can be expended.

An often-heard quip with respect to this series of subfunds is, "The dog that gets the bone is the dog that buried the bone." For a general discussion of other issues related to these funds, see Hickel et al. v. Cowper, 874 P.2d 922 (Alaska 1994).

b. All the Subfunds in the General Fund Group

As indicated in the previous subsection of this publication, the subfunds that make up the "General Fund Group," are consolidated under the label, "General Fund" for financial reporting purposes. The following table reflects, by subfund, the $604 million in the General Fund Group or the General Fund, invested in the GeFONSI on January 21, 1997.

General Fund and Other Non-Segregated Investments - General Fund Group (General Fund)

Sub-fund Description	Fund Account Number ***	Liability Account Number ****	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
General Fund (general fund)	11100	21460	AAM 20.080 AAM 20.110	3	-	311,927,151
Oil and Hazardous Substance Release Response Account	11129	21472	AS 46.08.010 AS 46.08.045(a)(1)	1	AS 43.55.221(d)(e)	54,628,767
Power Cost Equalization and Rural Electric Capitalization Fund	11150	21516	AS 42.45.100	1	-	44,604,246
Alaska Marine Highway System Operation Fund	12135	21560	AS 19.65.060	2	AS 19.65.07	32,047,289
Municipal Capital Project Matching Grant Fund	11146	21511	AS 37.06.010	2	-	33,105,941
School Construction Grant Fund	11143	21507	AS 14.11.005	3	-	20,453,981
Oil and Hazardous Substance Release Prevention Account	11122	21468	AS 46.08.010(a)(2) AS 46.08.040(c)	3	-	19,075,642
Alaska Debt Retirement Fund	11138	21502	AS 37.15.011	3	-	12,956,153
Alaska Marine Highway System Vessel Replacement Fund	11137	21501	AS 37.05.550	2	AS 37.05.55	10,265,727
Sick and Disabled Fisherman's Fund **	11119	21496	AS 23.35.060	3	-	9,026,264
Southeast Energy Fund	11148	21513	AS 42.45.040	3	-	7,526,380
Major Maintenance Grant Fund	11144	21508	AS 14.11.125	3	-	7,350,713
Employee Assistance and Training Fund	11134	21477	Ch 95 SLA 1989	3	-	5,924,390
Oil and Hazardous Substance Release Prevention Mitigation Account	11139	21503	AS 46.08.020(b)	1	-	5,560,443
Storage Tank Assistance Fund	11136	21478	AS 46.03.410	3	-	5,441,008
State Insurance Catastrophe Reserve Account	11133	21476	AS 37.05.289	3	-	5,266,502
Railbelt Energy Fund	11123	21497	AS 37.05.520	2	-	4,837,086
Mental Health Income - DNR	34043	21471	AS 37.14.011	1	-	3,610,341
Uninc. Community Capital Project Matching Grant Fund	11147	21512	AS 37.06.020	2	-	3,269,052
Education Facilities Maintenance and Construction Fund	11142	21506	AS 37.05.560	3	-	3,239,594

* Interest Code
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2 = Income is only calculated. If the Legislature appropriates the income to the subfund, the income is credited to the subfund; otherwise it is credited to the general fund.
3 = Income is credited to the general fund.

** The Department of Law believes this fund should be classified as a Special Revenue Fund.
*** This is the AKSAS code for the respective GASB fund's set of accounts.
**** This is the account in the Treasury "fund" (90100), the General Fund and Other Non-segregated Investments "fund" that reflects the balance of assets held for the respective GASB fund at any given time.

General Fund and Other Non-Segregated Investments - General Fund Group (General Fund) (cont)

Sub-fund Description	Fund Account Number ***	Liability Account Number ****	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
Due to Mental Health Income	34042	21467	AS 37.14.011	1	-	1,840,883
Second Injury Fund **	11117	21494	AS 23.30.040	3	-	813,936
Alaska Surplus Property Fund	11112	21484	AS 44.71.030	3	-	355,236
Assistive Technology Loan Guarantee Fund	11154	21522	AS 23.15.125	1	-	274,711
Due to Mental Health Corpus	34041	21466	AS 37.14.011	1	-	241,905
Real Estate Surety Fund	11121	21499	AS 08.88.450	3	-	234,519
Oil and Hazardous Substance Response Mitigation Account	11153	21518	AS 46.08.025 AS 43.55.231	1	-	162,702
Donated Commodity Handling Fee	11120	21498	USC 7CFR, PT250	3	-	157,737
Electrical Service Extension Fund	11151	21517	AS 42.45.200	3	-	113,257
Art in Public Places Fund	11124	21469	AS 44.27.060	3	-	107,469
Randolph Sheppard Small Business Enterprise Revolving Loan Fund **	11118	21495	AS 23.15.130	3	-	96,181
State Small Business Enterprise Fund	11116	21492	AS 23.15.130	3	-	88,496
FICA Administration Fund	11110	21480	AS 39.30.050	3	-	60,717
Alaska Historical Commission Receipts Account	11111	21482	AS 41.35.380	3	-	44,170
Fuel Emergency Fund	11125	21464	AS 26.33.400	3	-	22,573
Fund for the Improvement of School Performance	11145	21509	AS 14.03.125	3	-	21,749
Federal Highway Administration - Airspace Leases Fund	11126	21463	§156 Surface Trans Reloc. Assistance Act of 1987	3	-	18,785

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3 = Income is credited to the general fund.

** The Department of Law believes these funds should be classified as Special Revenue Funds.
*** This is the AKSAS code for the respective GASB fund's set of accounts.
**** This is the account in the Treasury "fund" (90100), the General Fund and Other Non-segregated Investments "fund" that reflects the balance of assets held for the respective GASB fund at any given time.

c. Special Revenue Funds

Special revenue funds, a second category of governmental funds, account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Each of these funds expressly meets the exception standards in the Dedicated Funds provision in the Alaska Constitution. The following table reflects, by fund, the $27 million in special revenue funds invested in GeFONSI on January 21, 1997.

General Investment Fund – Special Revenue Funds

Fund Description	Fund Account Number	Liability Account Number	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
Fish and Game Fund	12124	21530	AS 16.05.100	1	-	22,159,333
Disaster Relief Fund	12120	21510	AS 25.23.300	3	-	2,452,723
School Fund	12123	21520	AS 43.50.140	3	-	1,991,132
Reclamation Bonding Pool Fund - Mining	12132	21556	AS 27.19.040	3	-	580,195
State Land Reforestation Fund	12130	21550	AS 41.17.300	3	-	138,736
Training and Building Fund	12121	21515	AS 23.20.130	3	-	97,263
National Petroleum Reserve Fund	12131	21555	AS 37.05.530	3	-	40,489

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3 = Income is credited to the general fund.

d. Capital Project Funds

Capital project funds comprise the third category of governmental funds; they account for some of the financial resources used for the acquisition or construction of major capital facilities. However, most capital projects are accounted for in the fund from which the appropriations were made to finance the projects. Consequently, most of the State's capital projects are accounted for in the General Fund. The following table reflects, by fund, the $10 million in capital project funds invested in GeFONSI on January 21, 1997.

General Investment Fund – Capital Project Funds

Fund Description	Fund Account Number	Liability Account Number	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
Highway and Ferry Construction	13305	21740	-	3	-	8,833,791
Transportation Facilities	13303	21730	-	3	-	677,337
1978 Water Supply and Sewer System	13804	21835	-	3	-	93,665
Water and Sewer Construction	13808	21855	-	3	-	12,764
1976 Water Supply and Sewer System	13803	21830	-	3	-	10,255
Corrections Public Safety	13508	21685	-	3	-	775

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3 = Income is credited to the general fund.

e. Debt Service Funds

The final category of governmental funds are debt service funds. Debt service funds account for the accumulation of resources for the payment of principal and interest on long-term State debt. There are no debt service funds that are separately invested in GeFONSI. However, the Alaska Debt Retirement Fund is included in the General Fund Group (see subsection c).

f. Enterprise Funds

Enterprise funds and internal service funds are the two categories of proprietary funds in the GASB fund classification system. Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises; or (b) where the pertinent government has decided that the periodic determination of revenues earned and expenses incurred is appropriate for management control. The State classifies the enterprise funds invested in the GeFONSI as follows: (1) commercial assistance enterprise funds; (2) energy assistance enterprise funds; and (3) other enterprise funds. The following table reflects by fund, the $120 million in enterprise funds invested in the GeFONSI on January 21, 1997.

General Investment Fund – Enterprise Funds

Fund Description	Fund Account Number	Liability Account Number	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
Commercial Fish Revolving Loan Fund	21608	21990	AS 16.10.340	3	-	16,318,274
Fisheries Enhancement Revolving Loan Fund	21615	22020	AS 16.10.505	3	-	1,664,488
Alaska World War II Veterans' Revolving Loan Fund	21605	21975	AS 26.15.090	3	-	1,360,949
Mining Loan Fund	21625	22050	AS 27.09.010	3	-	608,940
Small Business Revolving Loan Fund	21607	21985	AS 45.95.060	3	-	547,246
Child Care Facility Revolving Loan Fund	21612	22010	AS 44.33.240	3	-	213,731
Small Business Economic Development Revolving Loan Fund	21641	21986	AS 44.88.400	1	-	176,701
Historical District Revolving Loan Fund	21614	22015	AS 45.98.010	3	-	159,683
Total Commercial Assistance Enterprise Funds						21,050,012
Power Project Fund	21645	22093	AS 42.45.010	3	-	69,045,364
Bulk Fuel Revolving Loan Fund	21622	22095	AS 42.45.250	3	-	744,017
Alternative Energy Revolving Loan Fund	21619	22030	AS 45.88.010	3	-	571,343
Rural Electric Revolving Loan Fund	21646	22094	AS 42.45.020	3	-	222,637
Residential Energy Conservation Fund	21623	22040	AS 45.89.010	3	-	31,265
Total Energy Assistance Enterprise Funds						70,614,626
Alaska Clean Water Revolving Loan Fund	21640	22076	AS 46.03.032	1	-	20,934,412
Agricultural Revolving Loan Fund	21606	21980	AS 03.10.040	3	-	6,585,486
Alcohol and Drug Abuse Revolving Loan Fund	21642	22090	AS 44.29.210	1	-	139,806
Rural Development Initiative	21644	22092	AS 44.47.810	2	-	302,010
Total Other Agency Enterprise Funds						27,961,714

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3 = Income is credited to the general fund.

g. Internal Service Funds

The second category of proprietary funds, internal service funds, account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The following table reflects, by fund, the $13 million in internal service funds invested in GeFONSI on January 21, 1997.

General Investment Fund – Internal Service Funds

Fund Description	Fund Account Number	Liability Account Number	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
Information Services Fund	22500	22115	AS 44.21.045	3	-	9,129,647
Highway Working Capital Fund – Operating Account	22652	22110	-	3	-	2,543,119
Highway Working Capital Fund – Capital Account	22653	22112	-	3	-	1,513,510
Correctional Industries Fund **	22654	22120	AS 33.30.420	3	-	115,669

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2 = Income is only calculated. If the Legislature appropriates the income to the subfund, the income is credited to the subfund; otherwise it is credited to the general fund.
3 = Income is credited to the general fund.

** Since Correctional Industries Fund sells outside the government, perhaps it should be classified as an enterprise fund.

h. Trust and Agency Funds

These funds are fiduciary funds that account for assets held by the State for the benefit of others in a fiduciary capacity. Agency funds account for the receipt and disbursement of various taxes, deposits, deductions, and property collected by the State, acting in the capacity of an agent, for distribution to other government units, other organizations or individuals. Expendable trust funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the fund's designated operations. Non-expendable trust funds account for assets held by the State where only the income from the principal may be expended in the course of the fund's operations; to the extent possible, the principal must be preserved.

The following table reflects, by fund, the $125 million in trust and agency funds invested in the GeFONSI on January 21, 1997.

General Investment Fund – Trust and Agency Funds

Fund Description	Fund Account Number	Liability Account Number	Legal Reference	Interest Code *	DOR Report Required	1/21/97 Invested Funds $
The Dividend Fund	33020	22170	AS 43.23.045	3	-	38,774,391
Exxon Valdez Oil Settlement	33070	22177	CA No. A91-081-CV	1	-	32,365,997
Oil Restoration Fund	11140	21504	A 90-015-CR	1	-	30,027,603
Alyeska Settlement	33080	22178	-	1	-	6,687,816
Public Advocacy Trust	32012	92162	AS 13.26.370	1	-	2,455,210
Memorial Scholarship Revolving Loan Fund	21611	22005	AS 14.43.255	3	-	2,063,231
Wage and Hour Trust Fund	32011	22161	-	3	-	54,195
NBA/FDIC Owned Loans	32015	22171	-	3	-	30,201
Deposits, Suspense and Miscellaneous Fund	32010	22160	-	mixed	-	12,698,962

* Interest Code
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3 = Income is credited to the general fund.

The Deposits, Suspense and Miscellaneous Fund referenced above, this fund is used to account for assets held for other funds, governments or individuals together with various small miscellaneous funds. It generally serves as a clearing account, and, with few exceptions, its activities could be reported in another fund type. Within this fund are some important small trusts that Treasury needs to watch carefully including the Alaska Heritage Endowment Fund (described in Section XII(M)) and the Margaret Cooke Memorial Trust Account.

i. Treasury "funds"

As explained above, Treasury separately invests the cash of 19 of the 150 GASB funds that the Division of Finance has created. Treasury commingles the cash for the other 130 GASB funds in the GeFONSI. All non-investment cash activity for the 19 separately invested funds clears through the GeFONSI. However, each separately invested Treasury also has an account within the GeFONSI. The balances in these "accounts" are usually relatively small, and they usually clear within a day. The balances on January 21, 1997 are reflected in the following table. (All 19 Treasury "funds" have been shown, although only 11 had balances on 1/21.)

General Investment Fund – Treasury Funds

Fund Description	GASB Fund Number	Treasury "fund" Number	Liability Account Number	1/21/97 Invested Funds $
Alaska Student Loan Corporation Bond Proceeds Disbursements	81010	90650	22367	(15,547,533)
Alaska Student Loan Corporation Bond Proceeds Receipts	81011	90655	22368	13,974,409
Alaska Student Loan Corporation Secured Loans Fund	81000	90600	22355	(571,433)
Teachers' Retirement Fund	25020	92000	22340	108,531
Public Employees' Retirement Fund	35010	91000	22335	6,924
Judicial Retirement Fund	35025	93000	22345	(6,542)
Military Retirement Fund	35030	94000	22350	(396)
Supplemental Benefits Fund	35041	95000	22365	(213,211)
Advance Tuition Payment Fund	33050	90900	22369	6,219
International Airports Fund	21600	90200	22315	(3,841)
International Airports Revenue Fund	21601	90225	21966	0
Investment Loss Trust fund	33060	96000	22174	0
Budget Reserve Fund	33040	90800	22176	0
Public School Trust Fund – Principal	34011	90310	22180	0
Public School Trust Fund – Income	34012	90320	22181	0
Children's Trust Fund – Principal	34051	90710	22191	0
Children's Trust Fund – Income	35052	90711	22192	0
University of Alaska Trust Fund – Principal	34021	90410	22185	0
University of Alaska Trust Fund – Income	34022	90420	22186	0

j. Component Unit Funds

Component units of State government are legally separate entities for which the State is primarily accountable or whose activities the State ought to somehow reflect in its annual financial statements.

Generally these entities manage and invest their own money. However, for operating purposes or subject to custodial agreements, Treasury may invest certain portions of their money. The following table reflects, by fund, the $9 million in component unit funds invested in the GeFONSI on January 21, 1997.

General Investment Fund – Component Unit Funds

Fund Description	Fund Account Number	Liability Account Number	Interest Code *	1/21/97 Invested Funds $
Mental Health Settlement Trust Corpus	34045	21519	1	322,383
Mental Health Settlement Trust Income	34046	21521	1	1,365,106
Alaska Student Loan Corporation Accounts Receivable	82000	22297	1	6,033,895
Alaska Student Loan Corporation Operations Fund	81800	22316	3	69,351
Alaska Aerospace Development Corporation	21643	22091	1	582,528
Alaska Aerospace Development Corp. Fed. Grants Fund	21649	22097	1	17,473
Business Industrial Development Corporate Fund (Science & Tech. Fund)	21651	22275	1	1,000,000

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k. Compilation of Information Relating to Funds Invested in the GeFONSI

The table in Appendix Q reflect a detailed compilation of information relating to all of the funds that participate from time to time in GeFONSI.