

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is not included in taxable income for purposes of the Alaska income tax imposed on corporations. Interest on the Bonds may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Bonds is subject to the federal alternative minimum tax on corporations. See “TAX MATTERS.”*



**\$134,790,000**  
**STATE OF ALASKA**  
**General Obligation Bonds**  
**Series 2016A**

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Dates, Interest Rates, Prices and Yields Are Shown on the Inside Cover Page

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The State of Alaska (the “State”) is issuing \$134,790,000 aggregate principal amount of General Obligation Bonds, Series 2016A (the “Bonds”).

The Bonds will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of principal of and interest on the Bonds. See “THE BONDS – Security for the Bonds” herein.

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will be payable on August 1, 2016 and semiannually thereafter on February 1 and August 1 in each year until maturity or earlier redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover. The Bonds will be subject to redemption as described herein.

The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of Bonds will not receive physical certificates representing their interest in the Bonds purchased. DTC will act as securities depository for the Bonds. Individual purchases of interests in the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. The principal of and interest on the Bonds will be payable directly to DTC by U.S. Bank National Association, Seattle, Washington as authenticating agent, paying agent and registrar for the Bonds (the “Bond Registrar”). Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the Direct Participants (defined in Appendix E) for subsequent disbursement to the purchasers of beneficial interests in the Bonds, as described herein.

The Bonds are being issued pursuant to the Alaska Constitution, Alaska Statutes 37.15.010 through 37.15.220 (the “Bond Act”), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the “State Transportation Bond Act”) and a resolution of the State Bond Committee (i) for the purpose of paying, together with other funds of the State, on March 18, 2016, the principal of and interest on \$155,215,000 aggregate principal amount of General Obligation Bond Anticipation Notes and (ii) to make a deposit to the State Transportation Project Fund. Issuance of the bonds authorized in the State Transportation Bond Act was approved by a majority of voters voting in a general election held in November 2012. See “THE BONDS – Application of Bond Proceeds.”

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision.

The Bonds are offered when, as and if issued, subject to receipt of an approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State Bond Committee. Acacia Financial Group, Inc. is serving as Financial Advisor to the State. It is expected that the Bonds in book-entry form will be available for delivery by Fast Automated Securities Transfer, through the facilities of DTC, on or about March 17, 2016.

**\$134,790,000**  
**STATE OF ALASKA**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2016A**

**Dated:** Date of Delivery

**Due:** August 1, as shown below

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, CUSIPS**

| <b><u>Maturity</u></b><br><b><u>August 1</u></b> | <b><u>Principal</u></b><br><b><u>Amount</u></b> | <b><u>Interest</u></b><br><b><u>Rate</u></b> | <b><u>Yield</u></b> | <b><u>Price</u></b> | <b><u>CUSIP*</u></b> |
|--|---|--|---------------------|---------------------|----------------------|
| 2016   | \$5,505,000                                     | 5.00%  | 0.39%               | 101.712             | 0117702T0            |
| 2017   | 4,915,000                                       | 5.00   | 0.67                | 105.903             | 0117702U7            |
| 2018   | 5,015,000                                       | 5.00   | 0.84                | 109.749             | 0117702V5            |
| 2019   | 5,115,000                                       | 5.00   | 1.00                | 113.230             | 0117702W3            |
| 2020   | 5,245,000                                       | 5.00   | 1.17                | 116.276             | 0117702X1            |
| 2021   | 5,405,000                                       | 5.00   | 1.36                | 118.794             | 0117702Y9            |
| 2022   | 5,570,000                                       | 5.00   | 1.55                | 120.854             | 0117702Z6            |
| 2023   | 5,740,000                                       | 5.00   | 1.76                | 122.307             | 0117703A0            |
| 2024   | 5,915,000                                       | 5.00   | 1.93                | 123.626             | 0117703B8            |
| 2025   | 6,095,000                                       | 5.00   | 2.08                | 124.745             | 0117703C6            |
| 2026   | 6,345,000                                       | 5.00   | 2.22**              | 123.403             | 0117703D4            |
| 2027   | 6,670,000                                       | 5.00   | 2.31**              | 122.549             | 0117703E2            |
| 2028   | 7,010,000                                       | 5.00   | 2.40**              | 121.702             | 0117703F9            |
| 2029   | 7,370,000                                       | 5.00   | 2.48**              | 120.955             | 0117703G7            |
| 2030   | 7,750,000                                       | 5.00   | 2.54**              | 120.399             | 0117703H5            |
| 2031   | 8,145,000                                       | 5.00   | 2.62**              | 119.661             | 0117703J1            |
| 2032   | 8,565,000                                       | 5.00   | 2.71**              | 118.838             | 0117703K8            |
| 2033   | 9,000,000                                       | 5.00   | 2.76**              | 118.384             | 0117703L6            |
| 2034   | 9,465,000                                       | 5.00   | 2.81**              | 117.931             | 0117703M4            |
| 2035   | 9,950,000                                       | 5.00   | 2.86**              | 117.481             | 0117703N2            |

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\*\* Priced to the par call of August 1, 2025.

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<sup>1</sup> The reference to the State's website is not a hyperlink and the State's website, by this reference, is not incorporated herein.

The information contained in this Official Statement has been obtained from sources the State deems reliable. The information concerning DTC and its book-entry system has been obtained from DTC, and no representation is made by the State as to the completeness or accuracy of such information.

No dealer, broker, salesperson or other person has been authorized by the State or by the State Bond Committee (the "Committee") to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such other information or representations must not be relied upon as having been authorized by the State or by the Committee.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or DTC since the date hereof. This Official Statement does not constitute a contract between the State and any one or more of the purchasers or registered owners of the Bonds.

Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." The words "estimate," "project," "anticipate," "expect," "intend," "believe," "plan," "budget," "forecast," "assume," and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based upon underlying assumptions, many of which in turn are based upon further assumptions. No assurance can be given that the future results or plans discussed herein will be achieved and actual results may differ, perhaps materially, from the plans, budgets, assumptions, forecasts and projections described herein. Except for the historical information included in the continuing disclosure undertaking of the State, the State does not plan to issue any updates or revisions to those forward-looking statements.

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IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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## **OFFICIAL STATEMENT**

**Relating to**

**\$134,790,000**

**STATE OF ALASKA  
General Obligation Bonds,  
Series 2016A**

### **INTRODUCTORY STATEMENT**

The purpose of this Official Statement, including the Appendices attached hereto, is to provide certain information concerning the State of Alaska (the “State”) and the issuance of \$134,790,000 aggregate principal amount of the State of Alaska General Obligation Bonds, Series 2016A (the “Bonds”). The Bonds will be issued pursuant to Resolution No. 2016-02 (the “Resolution”), adopted by the State Bond Committee (the “Committee”) on January 5, 2016. See “THE BONDS” herein for a description of the Bonds and the security therefor.

The Bonds will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of the principal of and interest on the Bonds. See “THE BONDS – Security for the Bonds” herein.

The Bonds are being issued (i) for the purpose of paying, together with other funds of the State, on March 18, 2016, the principal of and interest on \$155,215,000 aggregate principal amount of General Obligation Bond Anticipation Notes (the “2015 Notes”) and (ii) to make a deposit to the 2012 State Transportation Project Fund. The 2015 Notes were issued by the State on March 19, 2015 to pay the costs of design and construction of state transportation projects, as more fully described under the caption “THE BONDS – Application of Bond Proceeds” herein.

The proposed form of the opinion of Bond Counsel is included in Appendix C.

The form of the Continuing Disclosure Undertaking is included in Appendix D.

The historical financial information included in this Official Statement is derived primarily from the State’s audited financial statements and from the State’s unaudited financial documents and records. All of the historical information about the State’s financial condition and about its economy and resources and all summaries of resolutions, statutes, agreements, reports and other documents are subject to and are qualified in their entirety by reference to such financial statements, records, resolutions, statutes, agreements, reports and other documents. A copy of the State’s audited financial statements for the fiscal year ended June 30, 2015 is included in this Official Statement as Appendix B.

In addition to historical information, this Official Statement includes information about the State’s long-term plans and proposed budgets and forecast information about the State’s resources, economy and revenues and expenditures. Forecast information is derived from a number of sources and is based upon a variety of assumptions, many of which themselves are based upon other forecasts and assumptions and most of which are not within the State’s control. Actual budgets, plans and results may differ materially from the plans, budgets and results described herein.

As described herein, with recent decreases in oil prices and production, the State’s 2015 and forecast unrestricted revenue available for General Fund appropriation also has declined. Although petroleum-related revenue remains the largest source of unrestricted revenue for the State’s General Fund,

increased use of currently restricted revenues, which are significantly greater than unrestricted petroleum-related revenue, together with potential sources of new revenues and potential expenditure reductions, are being considered. See “Government Budgets and Appropriations” and “Fiscal Year 2017 10-Year Plan”. Certain information regarding the economy of the State is included in this Official Statement as Appendix A.

## **THE BONDS**

### **Authority for Issuance and Purpose of the Bonds**

The Bonds are being issued pursuant to the Alaska Constitution, AS 37.15.010 through 37.15.220 (the “Bond Act”), Sections 1, 3, 4 and 5 of Chapter 18, SLA 2012 (HB 286) (the “State Transportation Bond Act”) and the Resolution for the purposes of (i) paying, along with other funds of the State, the principal of and interest on the 2015 Notes and (ii) to make a deposit to the 2012 State Transportation Project Fund and construction of state transportation projects under the State Transportation Bond Act. The 2015 Notes were issued pursuant to AS 37.15.300-390 to repay notes issued in 2014 to pay or to repay costs of design and construction of state transportation projects. The State Transportation Bond Act provided for the issuance of up to \$453,499,200 of general obligation bonds, and on November 6, 2012, the general obligation bond authorization was ratified by a majority of the qualified voters in the State who voted in the election.

The proceeds deposited in the 2012 State Transportation Project Fund, are expected to pay all or a portion of the costs of the following projects:

#### ***Department of Commerce***

|   |              |
|---|--------------|
| Port of Anchorage Expansion                             | \$50,000,000 |
| Bethel Harbor Dredging                                  | 4,000,000    |
| Port of Bristol Bay Expansion and Pile Dock Replacement | 7,000,000    |
| Emmonak Port Improvements                               | 3,000,000    |
| Haines Borough Boat Harbor Upgrades                     | 15,000,000   |
| Hooper Bay Small Boat Harbor                            | 1,000,000    |
| Kodiak Pier III Replacement                             | 15,000,000   |
| Kotzebue Cape Blossom Road and Deep Water Port          | 10,000,000   |
| Matanuska-Susitna Borough Bogard Road Extension East    | 13,500,000   |
| Matanuska-Susitna Borough Port MacKenzie Rail Extension | 30,000,000   |
| Nenana Totchaket Resource Development Corridor Access   | 6,500,000    |
| Newtok Traditional Council Mertarvik Evacuation         | 4,100,000    |
| Nome Port Design and Construction                       | 10,000,000   |
| Sand Point Road Rehabilitation                          | 2,500,000    |
| Seward Marine Industrial Center Expansion               | 10,000,000   |
| Sitka Sawmill Cove Industrial Park Dock                 | 7,500,000    |
| St. George Harbor Reconstruction                        | 3,000,000    |
| Togiak Waterfront Transit Facility                      | 3,300,000    |

#### ***Department of Transportation***

|   |              |
|---|--------------|
| Glenn Highway, Hiland Road to Artillery Road Reconstruction | \$35,000,000 |
| Glenn Highway/Muldoon Road Interchange Reconstruction       | 15,000,000   |
| New Seward Highway MP 75-90 Bridge Repairs                  | 26,000,000   |
| New Seward Highway/36th Avenue Reconstruction               | 10,000,000   |
| O'Malley Road Reconstruction                                | 15,000,000   |
| Elliott Highway MP 108-120 Reconstruction                   | 6,500,000    |



|   |            |
|---|------------|
| Old Steese Highway to McGrath Road Reconstruction and Extension | 24,000,000 |
| Wendell Street Bridge Replacement                               | 14,400,000 |
| Glacier Highway MP 4-6 Road Improvements                        | 5,500,000  |
| Mendenhall Loop Road Improvements                               | 6,000,000  |
| Kenai Spur Road Rehabilitation                                  | 20,000,000 |
| Ketchikan - Shelter Cover Road Construction and Improvements    | 19,000,000 |
| Matanuska-Susitna - Fairview Loop Road Reconstruction           | 10,000,000 |
| Matanuska-Susitna - Knik Goosebay Road Reconstruction           | 15,000,000 |
| North Pole - Plack Road Improvement                             | 5,000,000  |
| Platinum Airport Runway Extension                               | 3,100,000  |
| Richardson Highway - Ruby Creek Bridge Replacement              | 11,000,000 |
| Sitka - Katlian Bay Road Construction                           | 14,000,000 |

### **Security for the Bonds**

When issued, the Bonds will be general obligations of the State and the full faith, credit and resources of the State will be pledged to the payment of the principal of and interest on the Bonds. Pursuant to the Bond Act, the amounts required annually to pay the principal of and interest and redemption premium on all issued and outstanding general obligations bonds of the State are appropriated to the Committee to make all required payments of principal, interest and redemption premium. AS 37.15.012 of the Bond Act provides that, if such appropriation is insufficient to fully pay these amounts, the necessary additional amounts are appropriated from the General Fund to the Committee to make all required payments of principal, interest and redemption premium.

For the payment of principal of and interest on general obligation indebtedness, including the Bonds, the State has the power to levy taxes, including taxes on all taxable property and income in the State, without limitation as to rate or amount. For a description of the State's sources of revenues, see "INFORMATION CONCERNING THE STATE OF ALASKA – State Revenues" and "INFORMATION CONCERNING THE STATE OF ALASKA – Public Debt and Other Obligations of the State" herein.

### **General Description of the Bonds**

The Bonds will be issued solely as fully registered Bonds without coupons (initially in the book-entry only system) in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated as of their date of original issuance and delivery and will bear interest at the rates and subject to prior redemption, will mature on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2016, computed on the basis of a 360-day year (consisting of 12 months of 30 days each).

When issued, the Bonds will be registered in the name of Cede & Co. as the partnership nominee of the Depository Trust Company, New York, New York ("DTC"). So long as Cede & Co. (or such other name as may be requested by an authorized representative of DTC), is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer by the Bond Registrar to DTC, which, in turn, is obligated to remit such principal and interest to the Direct Participants for subsequent disbursement to the Beneficial Owners (as defined in Appendix E) of the Bonds. See "Book-Entry-System" below and "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY" in Appendix E.

In the event that DTC or its successor (or substitute securities depository or its successor) resigns and no substitute securities depository can be obtained, or in the event the State determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, new Bonds are required to be issued and registered.

## Application of Bond Proceeds

\$152,954,192 of the proceeds of the Bonds will be used, in combination with a State appropriation of \$10,000,000 to pay the 2015 Notes, to make grants for the payment of one or more of the projects described above and to pay underwriter's discount and other costs of issuance. See "Sources and Uses Table." Any excess the balance of the proceeds of the Bonds will be allocated among the authorizations contained in Sections 3, 4 and 5 of the State Transportation Bond Act.

## Sources and Uses Table

The proceeds of the Bonds are expected to be applied as shown below.

### Sources of Funds:

|                           |                             |
|---------------------------|-----------------------------|
| Principal Amount of Bonds | \$134,790,000               |
| State appropriation funds | 10,000,000                  |
| Original Issue Premium    | <u>24,708,679</u>           |
| Total                     | <b><u>\$169,498,679</u></b> |

### Uses of Funds:

|                         |                             |
|-------------------------|-----------------------------|
| Payment of 2015 Notes   | \$162,954,192               |
| Transportation Projects | 5,887,401                   |
| Costs of Issuance*      | <u>657,086</u>              |
| Total                   | <b><u>\$169,498,679</u></b> |

\* Costs of issuance include underwriting discount. Other costs of issuance including legal fees, printing costs, financial advisory fees, rating agency fees and similar costs will be paid from a State appropriation.

## Redemption of the Bonds

**Optional Redemption.** The Bonds that are stated to mature on or before August 1, 2025, are not subject to optional redemption prior to their stated maturity. The Bonds maturing on or after August 1, 2026, are subject to redemption at the option of the State, in whole or in part (and if in part, from the maturities selected by the State and by lot within a maturity and interest rate), on any date on or after August 1, 2025, at a redemption price equal to 100% of the principal amount thereof, plus interest to the date fixed for redemption.

### *Selection of Bonds for Redemption*

If the State elects to redeem less than all of the Bonds for optional redemption, the State shall select the amount and the maturities to be redeemed.

If fewer than all of the Outstanding Bonds of a maturity are to be redeemed, the Bond Registrar is to select the Bonds to be redeemed by lot; provided, that the portion of any Bond to be redeemed in part is in the principal amount of \$5,000 or any integral multiple thereof. So long as the Bonds are registered to DTC or its nominee, selection of a portion of Bonds to be redeemed within a maturity is to be made by DTC in accordance with its operational arrangements then in effect. See "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY" in Appendix E.

### *Notice of Redemption*

The Resolution provides that unless waived by the Registered Owner of Bonds to be redeemed (DTC so long as the Bonds are held by DTC or by a nominee of DTC), official notice of any redemption, which notice in the case of an optional redemption may be a conditional notice, is to be given by the Bond

Registrar on behalf of the State at least 20 days and not more than 60 days prior to the date fixed for redemption. If the Bonds cease to be in book-entry form, notice of redemption is to be given by registered mail to the Registered Owner of the Bond or Bonds to be redeemed. Failure to give any required notice of redemption as to any particular Bond or any defect therein will not affect the validity of the notice for redemption of any Bonds in respect of which no such failure or defect has occurred. The Resolution provides that a notice given will be effective when sent and will be conclusively presumed to have been given whether or not actually received by any Registered Owner.

### ***Conditional Notice of Optional Redemption***

Redemption notices in connection with optional redemption of any Bonds may be conditional notices and may provide that unless a stated condition has been satisfied before the date fixed for redemption or unless money sufficient to pay the principal of and premium, if any, and interest on such Bond has been received by the Bond Registrar prior to the giving of such notice of redemption, such redemption shall be conditional upon the satisfaction of such condition or the receipt of such money by the Bond Registrar on or prior to the date fixed for redemption.

### ***Effect of Redemption***

The Resolution provides that unless the State has revoked a notice of optional redemption (or unless the State provided a conditional notice of optional redemption and the conditions for redemption set forth therein are not satisfied), the Bonds or portions of Bonds to be redeemed shall on the date fixed for redemption (unless in the case of a conditional notice of optional redemption, the condition is not satisfied or funds sufficient to pay the redemption price are not on deposit with the Bond Registrar), become due and payable at the redemption price therein specified and that from and after such date (unless the State has not paid the redemption price), such Bonds or portions thereof shall cease to bear interest.

### ***Purchase of the Bonds***

The State has reserved the right to purchase any of the Bonds offered to the State at any time at a price deemed reasonable by the State.

### **Defeasance**

The Resolution provides that in the event that money and/or noncallable direct obligations of the United States or obligations unconditionally guaranteed by the United States, (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are set aside in a special account of the State to effect such redemption and retirement and are pledged for such purpose, then no further payments need be made for the payment of the principal of and interest on the Bonds so provided for, and such Bonds shall cease to be entitled to any lien, benefit or security of the Resolution except the right to receive the moneys so set aside and pledged, and such Bonds shall be deemed to be no longer outstanding.

### **Book-Entry System**

When issued, the Bonds will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as nominee of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made only in book-entry form through DTC, and purchasers will not receive physical certificates representing their interests in the Bonds purchased. Except as provided in the Resolution so long as Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to Owners, Registered Owners or holders mean Cede & Co. (or such other name)

and not the Beneficial Owners of the Bonds. For information about DTC and its book-entry system, see “INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY” in Appendix E.

## **INFORMATION CONCERNING THE STATE OF ALASKA**

### **General**

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state of the United States (roughly equivalent in size to one-fifth of all of the other 49 states combined). Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners. As described below, most of the State’s revenue is derived from resources owned by the State itself, including petroleum and minerals extracted from State-owned lands and securities in funds owned by the State.

### **State Government**

Alaska became the 49th state in 1959 pursuant to the Alaska Statehood Act, which was enacted by the United States Congress in 1958 (the “Statehood Act”). The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, ratified by the people of Alaska on April 24, 1956, and became operative with the formal proclamation of statehood on January 3, 1959.

Alaska government has three branches: 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 “Legislature”). 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 provides or funds 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.

There are 18 boroughs in Alaska and 144 cities, 96 of which are located within a borough. Of these, 13 boroughs and 23 cities impose property taxes and nine boroughs and 52 cities impose sales taxes.

### **State Bond Committee**

The Legislature, by AS 37.15.110, has created the Committee. The Committee is comprised of the Commissioner of the Department of Commerce, Community & Economic Development (“DCCED”), as chairperson, the Commissioner of the Department of Revenue (“DOR”), as secretary, and the Commissioner of the Department of Administration (“DOA”), or their designees. The Committee adopts resolutions and generally oversees the proceedings relating to the issuance of bonds by the State.

### **State Revenues**

The State does not currently impose personal income taxes and has never imposed general sales taxes. The State does, however, impose a number of business-related taxes that, together with rents and royalties and fines and fees, represented nearly 100 percent of unrestricted non-investment General Fund revenue in FY 2015. See “Government Funds – The General Fund.” Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

The State has forecasted in the Fall 2015 Revenue Sources Book that general purpose unrestricted revenues in FY 2016 will be \$1,593 million, compared to \$2,257.3 million of actual general purpose unrestricted revenue in FY 2015, primarily driven by a projected \$49.58 price of oil per barrel for FY 2016 (a \$23 decrease in the price per barrel from FY 2015). See “General Fund Forecasts.”

**Oil and Gas Revenues.** The State’s unrestricted General Fund revenues are generated primarily from petroleum production activities. The State receives petroleum revenues (some of which are restricted) from five sources: oil and gas property taxes, corporate income taxes, oil and gas production taxes, bonuses and rents, and oil and gas royalties.

Oil and Gas Property Tax. The State levies an oil and gas property tax on the value of taxable oil and gas exploration, production and pipeline transportation property in the State at a rate of 20 mills (two percent) of the assessed value of the property. This is the only centrally assessed statewide property tax program in Alaska. Oil and gas reserves, oil or gas leases, the rights to explore or produce oil or gas, and intangible drilling expenses are not considered taxable property under the statute. The most notable properties that are subject to this tax are the Trans-Alaska Pipeline System (“TAPS”) (including the terminal at Valdez) and the field production systems at Prudhoe Bay. The assessed value of all existing properties subject to this tax as was \$28.6 billion as of January 1, 2015, \$27.4 billion as of January 1, 2014, \$28.6 billion as of January 1, 2013, \$24.5 billion as of January 1, 2012, \$23.8 billion as of January 1, 2011 and \$24.0 billion as of January 1, 2010. See “LITIGATION – Oil and Gas Tax Litigation.”

Property taxes on exploration property are based upon estimated market value of the property. For property taxes on production property, values are based upon replacement cost, less depreciation based on the economic life of the proven reserves (or the economic limit in the case of taxes on offshore platforms or onshore facilities). The amount collected from property taxes on existing production property is expected to decrease in the future. For property taxes on pipeline transportation property (about 95 percent of which is TAPS property), values are determined based upon the economic value, taking into account the estimated life of the proven reserves of gas or unrefined oil expected to be transported by the pipeline and replacement cost, less depreciation based on the economic life of the reserves.

Local governments also may levy a property tax on oil and gas properties at the same rate it taxes all other property within their jurisdiction up to 20 mills using the assessed values determined by the State. Taxpayers receive a credit against the State oil and gas property tax for property taxes paid to municipalities on such property up to the amount of State tax that would otherwise be due. Of the \$572.4 million of property taxes collected in FY 2015 on oil and gas property in the State, the State’s share was approximately \$125.2 million.

Revenue from oil and gas property taxes is deposited into the General Fund; settlement payments received by the State after a property tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. For additional information see “Government Funds—The Constitutional Budget Reserve Fund.”

Corporate Income Tax. Alaska levies a corporate income tax on Alaska taxable net income of companies doing business in Alaska (other than insurance companies that pay premium tax and other than S corporations and limited liability companies). Effective for tax years on or after August 26, 2013, corporate income tax rates are graduated and range from zero percent to 9.4 percent of income earned in Alaska. Taxable income is generally calculated using the provisions of the federal Internal Revenue Code, and the calculation of Alaska taxable income varies, depending on whether the corporation does business solely in Alaska, does business both inside and outside Alaska or is part of a group of corporations that operate as a unit in the conduct of a single business (a “unitary” or “combined” group). Oil and gas companies are combined on a world-wide basis, although for other industries only the companies doing business in the United States are combined. Taxpayers may claim all federal incentive credits, but federal

credits that refund other federal taxes are not allowed. In addition to the federal incentive credits, the State provides additional incentives, including an education credit for contributions made to accredited State universities or colleges for education purposes, a minerals exploration incentive, an oil and gas exploration incentive and a gas exploration and development tax credit.

Most corporate net income tax collections are deposited into the General Fund, although collections from corporate income tax audit assessments of oil and gas corporations are deposited into the Constitutional Budget Reserve Fund.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. The tax on production is levied on all onshore oil and gas production, except for the federal and State royalty shares and on offshore developments within three miles of shore.

The oil and gas production tax, the State's single largest source of revenue, was substantially changed by the Legislature in 2006, with the Petroleum Profits Tax ("PPT"). This tax fundamentally changed Alaska's petroleum tax system from a tax on gross value to a tax on net profit. The gross value tax system was in place since the early 1970s and was in place during the development of Prudhoe Bay, the largest oil-field in North America. PPT introduced the concept of "Production Tax Value" ("PTV") which was gross value at the point of production minus lease expenditures (capital and operating costs). The key difference from the gross tax was subtraction of lease expenditures in calculating the tax base. PTV is similar in concept to net profit, but different in that all lease expenditures can be deducted in the year incurred; that is, capital expenditures are not subject to depreciation. The tax under PPT was 22.5% tax of taxable value minus lease expenditures. There was a progressive surcharge of 0.25% added for every dollar of PTV per barrel that exceeded \$40. The maximum tax rate was set at 47.5%. In 2007, the tax was altered under a bill known as the "Alaska's Clear and Equitable Share" ("ACES"). The resulting ACES legislation maintained the general structure of PPT, but increased the production tax rate from 22.5% to 25% of PTV. The progressive surcharge changed to 0.4% added for every dollar of net income per barrel that exceeded \$30 and was less than \$92.50. Above \$92.50, the progressive surcharge decreased to 0.1% for every additional dollar in net value. The maximum tax rate was set at 75% of PTV, but that rate applied only at production tax value over \$342.50 per barrel, a level not seen while ACES was in place. ACES retained the 20% credit for all qualified capital expenditures and the small producer credit of up to \$12 million per year for qualified companies.

This legislation was reformed during the 2013 legislative session under Senate Bill 21 ("SB 21") that was signed into law on May 21, 2013. SB 21 retains the basic framework of PPT and ACES, with the primary change being the removal of a progressive surcharge tied to the value of oil. The base tax rate was increased from 25% to 35% of the net value of oil and gas production. Other major factors include the replacement of credits (the 20% credit for all qualified capital expenditures was eliminated for the North Slope) tied to capital spending with one tied to production on the North Slope, and the creation of an incentive for the development of areas north of 68 degrees North latitude that are not currently in production. SB 21 went into effect on January 1, 2014.

During the creation of SB 21, the Legislature stated its intent to provide a direct incentive for companies to produce additional oil. As a result, a mechanism was created in the form of a per-taxable-barrel credit. The per-taxable-barrel credit is reduced from \$8 per barrel to \$0 at wellhead values between \$80 per barrel and \$150 per barrel, thus retaining a progressive element in the tax system. As this new production credit was introduced, the credit on qualified capital expenditures was eliminated for the North Slope. The new credit is targeted directly to oil production rather than indirectly by providing an incentive for spending. The new credit also protects State revenue at lower prices, as it cannot be applied against the statutory minimum tax, which is generally 4% of gross value. This protection results in a flattening of the production tax revenue decline at prices lower than \$80 per barrel.

The final major component of SB 21 was the introduction of an incentive to bring new production areas on the North Slope into development. This incentive reduces the tax liability in new production areas by excluding 20% of the gross value for that production from the tax calculation. Qualifying production includes areas surrounding a currently producing area that may not be commercial to develop, as well as new oil pools that have not been discovered or developed. Oil that qualifies for this Gross Value Reduction (“GVR”) receives a flat \$5 per taxable barrel credit rather than the sliding-scale credit available for most other North Slope production. As a further incentive, this \$5 per taxable barrel credit can be applied against the minimum tax.

Taxpayers are required to make monthly estimated payments, based upon activities of the preceding month. These payments are due on the last day of the following month and to file an annual tax return to “true up” any tax liabilities or overpayments made during the year. As an incentive for new exploration, companies without tax liability against which to apply credits available under the SB 21 tax may apply for a refund of the value of most of the credits. In FY 2015, the State paid \$628 million to companies claiming such credits. SB 21 reduced the State’s exposure for such credits for the North Slope versus the prior ACES tax, as the new per-taxable-barrel credits are not eligible for refund.

A State-wide referendum to repeal SB 21 failed in August 2014.

All unrestricted revenue generated by the oil and gas production taxes (\$2.9 billion in FY 2010, \$4.6 billion in FY 2011, \$6.1 billion in FY 2012, \$4.1 billion in FY 2013, \$2.6 billion in FY 2014, and \$0.4 billion in FY 2015) is deposited into the General Fund, except that any payments received as a result of an audit assessment under the oil and gas production tax or as a result of litigation with respect to the tax are deposited into the Constitutional Budget Reserve Fund. See “Oil and Gas Royalties, Rents and Bonuses” - Table 1.

Oil and Gas Royalties, Rents and Bonuses. In FY 2015, approximately 99 percent of all oil production in the State, including the reserves at Prudhoe Bay, was from State land leased for exploration and development. As the land owner, through the Department of Natural Resources (“DNR”), the State earns revenue from leasing as (i) upfront bonuses, (ii) annual rent charges and (iii) retained royalty interests in the oil and gas production. State land has historically been leased largely based on a competitive bonus bid system. Under this system the State retains a statutorily prescribed minimum royalty interest of at least 12.5 percent on oil and gas production from land leased from the State, although some leases contain royalty rates of up to 20 percent and some also include a net profit-share production agreement. While other leasing alternatives are available under statute, they have not been used in the past. Under all lease contracts the State has ever written, it reserves the right to switch between taking its royalty in-kind or in cash (in cash royalty is valued according to a formula based upon the higher-of contract prices received by the producers, net of transportation charges). If the State takes its royalty share in-kind it becomes responsible for selling and transporting that royalty share. This means establishing complex contracts to accomplish these tasks.

In addition to royalties from production on State land, the State receives 50 percent of royalties and lease bonuses and rents received by the federal government from leases of federal lands in the NPR A. The State also receives revenues from federal royalties and bonuses on all other federal lands located within State borders and federal royalties and lease bonuses and rents from certain federal waters at rates negotiated on a field by field basis.

As shown in Tables 1 and 2 below, a portion of the State’s oil-related revenue, including oil and other royalty and bonus payments, is restricted revenue and is not available for general appropriations. See “Government Funds.” The State Constitution requires that a minimum of 25 percent (and State statutes currently require 50 percent for certain leases) of all mineral and oil and gas lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State be deposited to the Permanent Fund. See “Government Funds – The Alaska Permanent Fund.” Alaska statutes also require

that at least 0.5 percent of all royalties and bonuses be contributed to the Public School Fund Trust and that most settlements with or judgments involving tax and royalty disputes be deposited to the Constitutional Budget Reserve Fund. See “Government Funds.” In addition, the State is required to deposit its entire share of lease bonuses, and rents and royalties from oil activity in the NPR-A to the NPR-A Special Revenue Fund, from which a portion is used to make grants to municipalities that demonstrate present or future impact from oil development in the NPR A. Of the revenue in the NPR-A Special Revenue Fund that is not appropriated to municipalities, 50 percent is to be deposited to the Permanent Fund, with up to 0.5 percent to the Public School Trust Fund and then to the Power Cost Equalization Fund. Any remaining amount is then available for General Fund appropriations.

Table 1 summarizes the sources and uses of oil and other petroleum-related revenue for FYs 2006 through 2015.

**Table 1**  
**Sources and Initial Applications of Oil and Other Petroleum-Related Revenue**  
**FYs Ended June 30, – 2006 - 2015**  
(\$ millions)

|   | 2006             | 2007             | 2008              | 2009             | 2010             | 2011             | 2012             | 2013             | 2014             | 2015             |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Oil Revenue to the General Fund</b>                |                  |                  |                   |                  |                  |                  |                  |                  |                  |                  |
| Property Tax .....                                    | \$54.5           | \$65.6           | \$81.5            | \$111.2          | \$118.8          | \$110.6          | \$111.2          | \$99.3           | \$128.1          | \$125.2          |
| Corporate Income Tax .....                            | 661.1            | 594.4            | 605.8             | 492.2            | 446.1            | 542.1            | 568.8            | 434.6            | 316.6            | 94.8             |
| Production Tax (1).....                               | 1,199.5          | 2,208.4          | 6,822.6           | 3,112.0          | 2,871.0          | 4,552.9          | 6,146.1          | 4,050.3          | 2,598.2          | 389.7            |
| Royalties (including bonuses, rents and interest) (2) | 1,784.1          | 1,613.0          | 2,446.1           | 1,465.6          | 1,477.0          | 1,843.3          | 2,031.7          | 1,767.8          | 1,712.4          | 1,078.2          |
| Subtotal.....   | \$3,699.2        | \$4,481.4        | \$9,956.0         | \$5,181.0        | \$4,912.9        | \$7,048.9        | \$8,857.8        | \$6,352.0        | \$4,755.3        | \$1,687.9        |
| <b>Oil Revenue to Other Funds</b>                     |                  |                  |                   |                  |                  |                  |                  |                  |                  |                  |
| Royalties to the Permanent Fund and School Fund (3)   | \$611.5          | \$545.6          | 850.5             | \$670.8          | \$707.2          | \$870.9          | \$919.6          | \$855.9          | \$786.2          | \$518.3          |
| Tax settlements to CBRF .....                         | 43.7             | 101.9            | 476.4             | 202.6            | 552.7            | 167.3            | 102.1            | 176.6            | 141.4            | 149.0            |
| NPR-A royalties, rents and bonuses (4)                | 4.5              | 12.8             | 5.2               | 14.8             | 21.3             | 3.0              | 4.8              | 3.6              | 6.8              | 3.2              |
| Subtotal.....   | 659.7            | 660.3            | 1,332.1           | 888.2            | 1,281.2          | 1,041.2          | 1,026.5          | 1,036.1          | 934.4            | 670.5            |
| <b>Total Oil Revenue</b>                              | <b>\$4,358.9</b> | <b>\$5,141.7</b> | <b>\$11,288.1</b> | <b>\$6,069.2</b> | <b>\$6,194.1</b> | <b>\$8,090.1</b> | <b>\$9,884.3</b> | <b>\$7,388.1</b> | <b>\$5,689.7</b> | <b>\$2,358.4</b> |

- (1) The standard deduction provided under ACES for production in the Prudhoe Bay and Kuparuk fields expired on December 31, 2009.
- (2) Net of deposits to the Permanent Fund and the Constitutional Budget Reserve Fund. The State Constitution requires the State to deposit at least 25 percent to the Permanent Fund, and between 1980 and 2003 Alaska statutes required the State to deposit at least 50 percent to the Permanent Fund. The statutory minimum was changed to 25 percent beginning July 1, 2003, and changed back to 50 percent as of October 1, 2008. See “Government Funds – The Alaska Permanent Fund.”
- (3) Includes proceeds of royalties taken in-kind.
- (4) By federal statute, the State receives 50 percent of federal revenues from oil and gas lease sales located in the NPR-A.

Source: State of Alaska Department of Revenue

**Non-Oil Revenues.** The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers, cigarette/tobacco excise taxes, motor fuel taxes, alcoholic



beverage taxes, fishery business taxes, electric and telephone cooperative taxes, insurance premium taxes, commercial passenger vessel excise taxes and service charges, permit fees, fines and forfeitures, and miscellaneous revenues. In FY 2015, unrestricted revenue unrelated to petroleum production was \$521.5 million. Contained in the non-oil figures is the minerals industry, which contributes State revenue in the form of corporate income tax, mining license tax, and mining rents and royalties.

Mining License Tax. The State's severance tax on mining, the mining license tax, is based on the net income of individual mines for all mining property in the State, whether or not mining occurs on State-owned land. New mining operations are exempt from the tax for the three and a half years after production begins. Tax rates are scaled from 0 percent to 7 percent depending upon net income, with the 7 percent rate applying to all net income over \$100,000. Revenue from this tax was \$41 million in FY 2012, \$46.7 million in FY 2013, \$23.6 million in FY 2014, and \$38.6 million in FY 2015. Revenue from the mining license tax is deposited into the General Fund; settlement payments received by the State after a tax assessment dispute, however, are deposited into the Constitutional Budget Reserve Fund. See "Government Funds—The Constitutional Budget Reserve Fund." Beginning in calendar year 2012, sand and gravel, quarry rock and marketable earth mining operations are exempt from the mining license tax. See "State Ownership of Land and Natural Resources – Mineral Resources."

Production Royalties and Annual Rentals. The State charges a production royalty on mining operations conducted on State-owned lands in the amount of three percent of net income. The State is required by statute to deposit 50 percent of total minerals royalties to the Permanent Fund, with a base constitutionally-mandated minimum of 25 percent, and 0.5 percent to the Public School Trust Fund. The Pogo mine and proposed Pebble mine are on State land but most of the existing mines are not. In FY 2015, the State received \$17.0 million in mining royalty and rental income for the General Fund. The State also collected \$19.3 million in other non-petroleum rents and royalties. See "Government Funds—The Alaska Permanent Fund."

Corporate Income Tax and Insurance Premium Tax. In addition to corporate income taxes paid by mining companies and by oil and gas producers, the State collected approximately \$136.2 million of other corporate income taxes in FY 2015. Insurance companies doing business in Alaska pay a premium tax instead of paying corporate income tax. Unrestricted revenues from insurance premium taxes totaled approximately \$59.1 million in FY 2015.

Cigarette/Tobacco Excise Tax. The State levies a tax on cigarettes imported into the State for sale or personal consumption. The cigarette tax is paid through the purchase of cigarette tax stamps, which must be affixed to every pack of cigarettes imported into the State for sale or personal consumption. The tax rate is \$2.00 per pack, which equates to 10 cents per cigarette. Of the cigarette tax, \$0.76/pack is deposited to the Public School Trust Fund, together with cigarette and other tobacco products license fees. The remaining \$1.24 per pack is deposited into the General Fund, with 8.9 percent of that amount going to the Tobacco Use Education and Cessation Fund, a subfund of the General Fund.

In addition, the State levies a tax on other tobacco products imported into the State for sale, at a rate of 75 percent of the wholesale price, which is the established price at which a manufacturer sells other tobacco products to a distributor. All proceeds from the other tobacco products tax go to the General Fund.

Approximately \$21.6 million of revenue from cigarette taxes was deposited into the Public School Trust Fund in FY 2015 to be used for the rehabilitation, construction, repair and associated insurance costs of State school facilities. Cigarette tax revenue deposited in the Tobacco Education and Cessation Fund in FY 2015 was \$3.1 million, and remaining General Fund cigarette tax revenue was \$27.7 million. In addition, the General Fund received \$12.8 million in other tobacco products tax revenue in FY 2015.

Motor Fuel Taxes. The State generally levies a motor fuel tax at rates that vary from 3.2 cents per gallon for jet fuel to 8 cents per gallon for highway use, on some motor fuel sold, transferred or used within

Alaska. Aviation-related fuel is restricted to airport-related uses, and 60 percent of aviation fuel taxes attributed to aviation gasoline sales at municipal airports is shared with the municipalities (approximately \$140,000 in FY 2015) and is considered restricted revenue. The motor fuel tax generated approximately \$41.8 million in unrestricted revenue in FY 2015.

**Fishery Business Taxes.** The State imposes a number of fishery-related taxes and fees, including a fisheries business tax charged to fish processors (one percent to five percent of the value of raw fish) and a fishery resource landing tax of from one percent to three percent on the value of fish landed in Alaska but processed outside State boundaries. Proceeds from these fishery taxes are shared with qualified municipalities. The State's share of these fishery taxes was \$32.7 million, in FY 2012, \$24.7 million in FY 2013, \$32.2 million in FY 2014, and \$26.4 million in FY 2015. These numbers do not include smaller fish taxes that are designed for specific purposes and therefore considered restricted revenue.

**Federal Revenue.** The federal government is a significant employer in Alaska, directly and indirectly, as a result of procurement contracts, grants and other spending. In addition to expenditures in connection with federal military bases and other activities in Alaska, the State receives funding from the federal government, approximately \$2.4 billion in FY 2013, \$2.5 billion in FY 2014 and \$2.5 billion in FY 2015. The funds are primarily used for road and airport improvements, aid to schools and Medicaid payments, all of which are restricted by legislative appropriation to specific use. Federal funds most often are transferred to the State on a reimbursement basis, and all transfers are subject to audit.

**Investment Income.** The State earns unrestricted and restricted investment earnings from a number of internal funds. The primary sources of investment income for the State are two Constitutionally-mandated funds, the Permanent Fund and the Constitutional Budget Reserve Fund. The Permanent Fund had a fund balance (principal and the earnings reserve) of approximately \$52.8 billion as of June 30, 2015, \$51.2 billion as of June 30, 2014, \$44.8 billion as of June 30, 2013, \$40.3 billion as of June 30, 2012, and \$40.1 billion as of June 30, 2011. The Constitutional Budget Reserve Fund had a fund balance of approximately \$10.1 billion as of June 30, 2015, \$12.8 billion as of June 30, 2014, \$11.6 billion as of June 30, 2013, \$10.6 billion as of June 30, 2012, and \$10.3 billion as of June 30, 2011. The Earnings Reserve Account balance in the Permanent Fund is available for appropriation with a majority vote of the Legislature, while appropriation of the Fund's principal balance requires amendment of the State Constitution. The balance of the Constitutional Budget Reserve Fund is available for appropriation with a three-fourths vote of each house of the Legislature, and as described below, the State borrows from the Constitutional Budget Reserve Fund when needed to address mismatches between revenue receipts and expenditures in the General Fund and/or to balance the budget at the end of the FY. See "Government Funds – The Constitutional Budget Reserve Fund" and "—The Alaska Permanent Fund."

Although not as significant, the State also has in the past received the earnings on the Statutory Budget Reserve Fund ("SBRF"). This fund had a balance of \$288 million as of June 30, 2015, \$2.8 billion as of June 30, 2014, and \$4.7 billion as of June 30, 2013. These earnings are considered General Fund unrestricted revenue and in October 2015 the remaining balance in the SBRF was transferred to the General Fund. See "Government Funds – The Statutory Budget Reserve Fund."

In addition to investment income from the above-described funds, the State receives investment income (including interest paid) from investment of other, unrestricted funds (\$47.9 million in FY 2015, \$130.2 million in FY 2014, \$28.1 million in FY 2013, \$107.8 million in FY 2012, and \$96.3 million in FY 2011). See "Government Funds."

**Major Components of State Revenues.** Table 2 summarizes the sources of unrestricted and restricted revenues available to the State in FYs 2006 through 2015.

Table 2

**Total State Government Revenue by Major Component**  
**FYs Ended June 30, 2006 – 2015**  
(\$ millions)

|                           | 2006       | 2007       | 2008       | 2009        | 2010       | 2011       | 2012       | 2013       | 2014       | 2015      |
|---------------------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|-----------|
| <b>Revenue Source</b>     |            |            |            |             |            |            |            |            |            |           |
| <u>Unrestricted</u>       |            |            |            |             |            |            |            |            |            |           |
| Oil Revenue .....         | \$3,699.2  | \$4,481.4  | \$9,956.0  | \$5,181.0   | \$4,912.9  | \$7,048.9  | \$8,857.8  | \$6,352.0  | \$4,755.3  | \$1,687.9 |
| Non-Oil Revenue .....     | 447.9      | 537.1      | 544.4      | 402.6       | 414.0      | 527.7      | 519.6      | 548.4      | 508.5      | 521.5     |
| Investment Earnings ..... | 53.3       | 140.1      | 248.8      | 247.6       | 184.0      | 96.3       | 107.8      | 28.1       | 130.2      | 47.9      |
| Subtotal .....            | \$4,200.4  | \$5,158.6  | \$10,749.1 | \$5,831.2   | \$5,513.3  | \$7,672.9  | \$9,485.2  | \$6,928.5  | \$5,394.0  | \$2,257.3 |
| <u>Restricted</u>         |            |            |            |             |            |            |            |            |            |           |
| Oil Revenue .....         | \$659.7    | \$660.3    | \$1,332.1  | \$888.2     | \$1,281.2  | \$1,041.2  | \$1,062.5  | \$1,036.1  | \$934.4    | \$670.5   |
| Non-Oil Revenue .....     | 536.5      | 684.9      | 604.4      | 545.8       | 467.1      | 473.6      | 452.7      | 485.0      | 473.5      | 497.2     |
| Investment Earnings ..... | 3,173.3    | 3,737.8    | (1,483.5)  | (6,894.5)   | 4,291.9    | 7,928.5    | 144.3      | 4,977.8    | 7,927.7    | 2,603.4   |
| Federal Revenue .....     | 1,966.2    | 1,971.9    | 1,902.5    | 2,088.4     | 2,387.9    | 2,407.9    | 2,455.5    | 2,383.2    | 2,511.9    | 2,512.7   |
| Subtotal .....            | \$6,335.7  | \$7,054.9  | \$2,355.5  | (\$3,372.1) | \$8,428.2  | \$11,851.2 | \$4,079.0  | \$8,882.1  | \$11,847.5 | \$6,283.8 |
| Total .....               | \$10,536.1 | \$12,213.5 | \$13,083.7 | \$2,459.1   | \$13,940.9 | \$19,524.2 | \$13,564.2 | \$15,810.6 | \$17,241.5 | \$8,541.1 |

*Note:* "Restricted Oil Revenue" includes oil revenue for NPR-A Rents, Royalties, and Bonuses shared by the Federal government. In FY 2015 this constituted \$3.2 million.

*Source:* State of Alaska Department of Revenue.

## Government Budgets and Appropriations

The Legislature is responsible for enacting the laws of the State, including laws that impose State taxes, and for appropriating money to operate the government. The State is limited by its Constitution and statutes and also by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without a valid appropriation from the Legislature.

**Budgets.** The State's FY begins on July 1 and ends on the following June 30 and the Legislature meets in regular session beginning on the fourth Monday of January in each year. The Governor is required by AS 37.07.020(a) to prepare a statutorily confirming budget for the succeeding fiscal year, including capital, operating and mental health budgets setting forth all proposed expenditures (including expenditures of federal and other funds not generated by the State) and anticipated income of all departments, offices and agencies of the State; a general appropriation bill to authorize proposed expenditures; and in the case of proposed new or additional revenues, one or more bills containing recommendations for such new or additional revenues. The Governor's budget must be made public and submitted to the Legislature by December 15. In accordance with AS 37.07.020(b), the Governor also is required to prepare a six-year capital budget covering the succeeding six FYs and a 10-year fiscal plan. To assist the Governor in preparing budgets, proposed appropriation bills and fiscal plans, the Department of Revenue's Tax Division prepares forecasts of annual revenues in December and April of each year. See "Government Funds" and "General Fund Forecasts."

The State Constitution prohibits the withdrawal from the treasury of any funds, regardless of source, without an appropriation, and so the Governor's proposed budget and the Legislature's appropriation bills include federal and other funds as well as funds from the State. The Constitution also

prohibits the dedication to a special purpose of the proceeds of “any State tax or license,” with the exception of dedications required by federal law, mandated by the State’s Constitution or in existence prior to statehood.

**General Appropriations.** The Governor is required by State law to submit the three budgets — an operating budget, a mental health budget and a capital budget — by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. The appropriation bills, with any changes made by the House Finance Committee, are voted upon first by the House of Representatives, which can amend the bills. Appropriation bills approved by the House of Representatives are then considered and voted upon, and may be amended by, the Senate Finance Committee and then by the full Senate. In the event of difference in the House-approved bills and the Senate-approved bills, a conference committee of three members from each house is required to work out the differences. The new versions are then submitted to both bodies for final votes. Once enacted by both bodies, the appropriations bills are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a “line-item veto”), may sign the bill or may permit the bill to become law without a signature or a veto 15 days after delivery to the Governor. The Legislature may override a veto by the Governor (by a vote of three-fourths of the members of each body of the Legislature in the case of appropriation bills and by a vote of two-thirds of the members of each body in the case of other bills), and either the Governor or the Legislature may initiate supplemental appropriations during the FY to deal with new or changed revenue receipts, to correct errors or for any other reason.

The Governor is permitted to prioritize or restrict expenditures, to redirect funds within an operating appropriation to fund core services and to expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized operating and capital expenditures during years in which actual revenues were less than forecast and budgeted. Such expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, lay-offs and furloughs and restrictions on non-core operating expenses. As described below, a number of General Fund operating and capital expenditures were limited or suspended in the fiscal year ending: June 30, 2016, and others are proposed for fiscal year 2017.

Governor Walker was elected in November 2014 and took office in December 2014. In response to diminished State revenue forecasts he proposed a reduction in unrestricted General Fund State spending of 9 percent for FY 2016. He has additionally issued an Administrative Order to limit or stop State spending on State “Mega Projects” including the Juneau Access road, the Knik Arm Crossing, the Susitna Hydroelectric project, a small diameter in-State gas pipeline project, and a proposed State road to the Ambler Mining District. These projects continue to be reviewed to determine if they warrant implementation.

The Legislature must appropriate to create the authority to expend General Fund revenue. If an expenditure of General Fund revenue is required mid-budget cycle, a special session of the Legislature would be required to provide the authority to make such expenditure.

**Debt-Related Appropriations and Subject-to-Appropriation Obligation Appropriations.** The Governor’s proposed appropriations bills include separate subsections for appropriations for State debt and other subject-to-appropriation obligations and specify the sources of funds to pay such obligations. For the State’s outstanding, voter-approved general obligation bonds (including the Bonds) and bond anticipation notes and for revenue anticipation notes to which the State’s full faith and credit are pledged, moneys are appropriated from the General Fund and if necessary, from other funds, including the Permanent Fund to the Committee to make all required payments of principal, interest and redemption premium. For these full faith and credit obligations, the State legally is required to raise taxes if State revenues are not sufficient to make the required payments.

The Governor's proposed appropriation bills also include separate subsections for appropriations for subject-to-appropriation obligations, including various outstanding capital leases, lease-purchase financings, State-supported local-government debt for school construction and certain other limited projects and some State "moral obligation" debt. Such appropriations are made from the General Fund or from appropriations transferring to the General Fund moneys available in other funds such as the Constitutional Budget Reserve Fund, the Power Cost Equalization Fund, unencumbered funds of the State's public corporations and the Permanent Fund earnings reserves.

**Appropriation Limits.** The State Constitution does not limit expenditures but does provide for an appropriation limit and reserves one-third of the amount within the limit for capital projects and loan appropriations. Because State appropriations have never approached the limit, the reservation for capital projects and loan appropriations has not been a constraint. The appropriation limit does not include appropriations for Permanent Fund dividends described below, appropriations of revenue bond proceeds, appropriations to pay general obligation bonds or appropriations of funds received in trust from a non-State source for a specific purpose. In general, under the State Constitution, appropriations that do not qualify for an exception may not exceed \$2.5 billion by more than the cumulative change, derived from federal indices, in population and inflation since July 1, 1981. For FY 2016, the appropriations limit was approximately \$10.3 billion.

### **Government Funds**

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a framework of constitutionally and statutorily restricted revenue that is held in a variety of reserve funds to provide long-term and short-term options to address cash flow mismatches and budgetary deficits. For FY 2015, revenue classified as restricted by custom for deposit in reserves exceeded unrestricted revenue by more than \$3.2 billion, and an additional \$347 million of revenue was deposited into the Constitutional Budget Reserve Fund, and an additional \$518 million was deposited primarily into the Alaska Permanent Fund. The State Constitution provides that with three exceptions, the proceeds of State taxes or licenses "shall not be dedicated to any special purpose." The three exceptions are when required by the federal government for State participation in federal programs, any dedication existing before statehood and when restricted for savings in the Permanent Fund or Constitutional Budget Reserve Fund as required by constitutional amendment. State revenue restricted for deposit into the Permanent Fund and Constitutional Budget Reserve Fund is then only available for appropriation as prescribed by the constitutional provisions described below.

Current State funding options available on a statutory basis include unrestricted revenue of the General Fund, use of the earnings or the principal balance of the Statutory Budget Reserve Fund, borrowing restricted earnings revenue or principal balance from the Constitutional Budget Reserve Fund, use of the statutorily restricted royalty oil revenue currently flowing to the Permanent Fund, and use of the unrestricted earnings revenue of the Permanent Fund. To balance revenues and expenditures in a time of financial stress, each of these funds can be drawn upon, either immediately, in the case of the Constitutional Budget Reserve Fund following a year-over-year revenue decline, or by a vote of the Legislature and with the approval of the Governor (by a three-fourths vote of each house in the case of appropriations from the Constitutional Budget Reserve Fund and by a simple majority vote in the case of appropriations from the Statutory Budget Reserve Fund and from the Permanent Fund Earnings Reserve).

Additional options for the State to manage budget funding include reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or mining resources, reinstituting a State personal income tax or imposing other broad based statewide taxes. Most of these options, including the imposition of personal income taxes or other taxes, would require action by the Legislature.

**The General Fund.** Unrestricted State revenue is annually deposited to the General Fund, which serves as the State's primary operating fund and accounts for most of the State's unrestricted financial resources. The State has, however, created more than 55 subfunds and "cash pools" within the General Fund to account for funds allocated to particular purposes or reserves, including the Constitutional Budget Reserve Fund; the Statutory Budget Reserve Fund, an Alaska Capital Income Fund, and a debt retirement fund. In terms of long-term and short-term financial flexibility, the Constitutional Budget Reserve Fund and the Statutory Budget Reserve Fund (subfunds within the General Fund) are of particular importance to the State.

**The Constitutional Budget Reserve Fund.** The State Constitution requires that oil and gas dispute-related revenue be deposited to the Constitutional Budget Reserve Fund. The State Constitution provides that other than money required to be deposited to the Permanent Fund, 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 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 required to be deposited in the Constitutional Budget Reserve Fund. Money in the Constitutional Budget Reserve Fund may be appropriated (i) for any public purpose, upon the affirmative vote of three-fourths of the members of each house of the Legislature; or (ii) if the amount available to the State for appropriation for a FY is less than the amount appropriated for the previous FY; however, the amount appropriated may not exceed the amount necessary, when added to other funds available for appropriation, to provide for total appropriations equal to the amount of appropriations made in the previous calendar year for the previous FY. The State Constitution also provides that until the amount appropriated from the Constitutional Budget Reserve Fund is repaid, excess money in the General Fund at the end of each FY must be deposited in the Constitutional Budget Reserve Fund.

The FY 2015 capital budget included a \$3 billion transfer from the Constitutional Budget Reserve Fund to the Public Employees Retirement System ("PERS") and Teachers Retirement System ("TRS"). The PERS received \$1 billion and the TRS received \$2 billion. The impact of these deposits will be reflected in the actuarial analysis to be released in FY 2016. See "STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES."

The State historically has borrowed from the Constitutional Budget Reserve Fund as part of its cash management plan to address timing mismatches between revenues and disbursements within a FY and also to balance the budget when necessary at the end of the FY. Prior to draws in current FY 2016, the Legislature had last appropriated funds from the Constitutional Budget Reserve Fund in FY 2005. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund for draws prior to 2005 was completely repaid.

The balance in the Constitutional Budget Reserve Fund as of June 30, 2013 was \$11.6 billion. The balance in the Constitutional Budget Reserve Fund as of June 30, 2014 was \$12.8 billion, with earnings of \$1.0 billion. The balance in the Constitutional Budget Reserve Fund as of June 30, 2015 was \$10.1 billion, with earnings of \$197.7 million.

**The Statutory Budget Reserve Fund.** The Statutory Budget Reserve Fund has existed in the State's accounting structure since 1986. The Statutory Budget Reserve Fund is available for use for legal purposes with a simple majority vote of the Legislature and with approval by the Governor. In FY 2008, the Legislature authorized an initial transfer to the Statutory Budget Reserve Fund of \$1.0 billion. Additional deposits were made to the fund in FYs 2010, 2011, 2012, and 2013. If the unrestricted amount available for appropriation in the FY 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 was appropriated from the Statutory Budget Reserve Fund to the General Fund. For FY 2015, this resulted in a year-end transfer from the Statutory Budget Reserve Fund to the General Fund of \$2.5 billion.

As of June 30, 2015, the Statutory Budget Reserve Fund held \$288 million. The market value of the Statutory Budget Reserve Fund as of December 31, 2015 was near zero. Any earnings on the Statutory Budget Reserve Fund are considered unrestricted investment revenue and flow to the General Fund. Current FY market values and stated returns are unaudited, preliminary, and include some estimates.

**The Alaska Permanent Fund.** The Permanent Fund was established by a voter-approved Constitutional amendment that took effect February 21, 1977. The amendment provides that “at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in 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” and that “all income from the permanent fund shall be deposited in the General Fund unless otherwise provided by law.”

In 1980, legislation was enacted that provided for the management of the Alaska Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation and government instrumentality within the DOR, managed by a board of trustees. The same legislation modified the contribution rate to the Permanent Fund from 25 percent (the minimum constitutionally mandated contribution) to 50 percent of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, federal mineral revenue sharing payments and bonuses received by the State from mineral leases issued after December 1, 1979 or, in the case of bonuses, after May 1, 1980. The statutory contribution rate was changed back to 25 percent by legislation as of July 1, 2003 but then returned to 50 percent as of October 1, 2008. For FY 2015, State oil and mineral revenues deposited into the Permanent Fund were \$600 million compared to \$779 million in FY 2014. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund prior to FY 2006, the Legislature has made special appropriations from the State’s General Fund to the Permanent Fund several times, totaling approximately \$2.7 billion as of June 30, 2015.

The Permanent Fund tracks earnings on a GASB compliant basis in the compilation of the financial statements of the Fund. However, earnings available for appropriation from the fund are established by statute and include only realized earnings less various adjustments, but no unrealized earnings. This statutory framework results in both an understatement of income on a mark to market basis for the fund, as well as a lower balance in the Permanent Fund Earnings Reserve as currently calculated relative to a GASB compliant calculation of earnings.

Pursuant to legislation enacted in 1982, annual appropriations are made from the earnings reserve of the Permanent Fund, first for dividends and then for inflation-proofing. Between 1982 and 2015, \$23 billion of dividends (\$2,072 per person in FY 2015) were paid to Alaska residents and \$16.2 billion of Permanent Fund income has been added to principal for inflation proofing purposes (for FY 2015 the inflation proofing transfer was \$624 million, up from the FY 2014 amount of \$546 million). In addition to the statutorily directed inflation proofing transfers, the Legislature has made special appropriations from the earnings reserve account of the Permanent Fund to the principal balance of the Permanent Fund, totaling approximately \$4.2 billion as of June 30, 2015.

If any income remains after these transfers (except the portion transferred to the Alaska Capital Income Fund as described below), it remains in the Permanent Fund’s earnings reserve as undistributed income. The Legislature may appropriate funds from the earnings reserve at any time for any other lawful purpose. The principal portion of the Permanent Fund (\$45.6 billion as of June 30, 2015, up from \$45.0 billion as of June 30, 2014) may not be spent without amending the State Constitution. The earnings reserve portion of the Permanent Fund (\$7.2 billion as of June 30, 2015, up from \$6.2 billion as of June 30, 2014) may be spent with a simple majority vote of the Legislature. The Permanent Fund was valued at approximately \$52.8 billion as of June 30, 2015.

During FYs 1990 through 1999, the Permanent Fund received dedicated State revenues from settlements of a number of North Slope royalty cases (known collectively as State v. Amerada Hess, et al.). The total of the settlements and retained income thereon, as of June 30, 2015, is approximately \$424 million. Earnings on the settlements are excluded from the dividend calculation in accordance with State law and beginning in 2005, the settlement earnings have been appropriated to the Alaska Capital Income Fund, a subfund within the General Fund. Funds in the Alaska Capital Income Fund and interest thereon (approximately \$24.0 million in FY 2015) are unrestricted and have been appropriated for capital expenditures.

**Table 3**

**State of Alaska**  
**Available Funds and Recurring and Discretionary General Fund Expenditures**  
**FYs Ended June 30, 2004-2015**  
(\$ millions)

| FY   | General Purpose Unrestricted Revenue (1) | Recurring & Discretionary General Fund Expenditures (2) | Surplus/ (Deficit) | Net Draw on CBRF (3) | CBRF Available Balance (4) | Perm. Fund Earnings Reserve |
|------|--|---|--------------------|----------------------|----------------------------|-----------------------------|
| 2004 | \$2,346                                  | \$2,319   | \$26               | \$0                  | \$2,064.2                  | \$859.3                     |
| 2005 | 3,189                                    | 2,646   | 543                | 0                    | 2,235.7                    | 1,439.9                     |
| 2006 | 4,200                                    | 3,247   | 953                | 0                    | 2,267.1                    | 2,584.8                     |
| 2007 | 5,159                                    | 4,272   | 886                | 0                    | 2,549.0                    | 4,132.0                     |
| 2008 | 10,749                                   | 5,473   | 5,256              | 0                    | 5,601.0                    | 4,969.0                     |
| 2009 | 5,831                                    | 6,000   | (169)              | 0                    | 7,114.4                    | 440.6                       |
| 2010 | 5,515                                    | 4,995   | 520                | 0                    | 8,664.0                    | 1,209.8                     |
| 2011 | 7,673                                    | 6,355   | 1,318              | 0                    | 10,330.0                   | 2,307.8                     |
| 2012 | 9,485                                    | 7,252   | 2,233              | 0                    | 10,642.4                   | 2,080.6                     |
| 2013 | 6,929                                    | 7,455   | (526)              | 0                    | 11,564.4                   | 4,053.8                     |
| 2014 | 5,394                                    | 7,314   | (1,920)            | 0                    | 12,779.7                   | 6,211.3                     |
| 2015 | 2,257                                    | 4,760   | (2,503)            | (2,876)              | 10,101.4                   | 7,162.4                     |

(1) State of Alaska Department of Revenue, Tax Division.

(2) Excludes amounts set-aside to fund programs and reserve deposits. State of Alaska Office of Management & Budget.

(3) Net draws differ from borrowing reported in the State's financial statements due to restricted revenue and cash accounting impact.

(4) CBRF available balance represents the market value of the Constitutional Budget Reserve Fund.

Source: State of Alaska Department of Revenue

### Restricted Revenue Forecast

The State regularly prepares forecasts of restricted revenue generation. Table 4 provides a summary of the State's most recent restricted revenue forecasts from FY 2016 through 2025. Of necessity, the forecasts include assumptions about events that are not within the State's control.

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Table 4

**State of Alaska Restricted Revenue For Savings  
Actuals through 2015 and Forecast Summary  
FYs 2016 through 2025<sup>(1)</sup>  
(millions)**

| FY               | CBRF<br>Investment<br>Earnings | Tax &<br>Royalty<br>Settlements<br>to CBRF | Alaska<br>Permanent<br>Fund<br>Investment<br>Revenue <sup>(2)</sup> | Alaska<br>Permanent Fund<br>Dedicated Oil<br>Revenue <sup>(3)</sup> | Total State<br>Revenue<br>Currently<br>Restricted for<br>Reserves |
|------------------|--------------------------------|--|---|---|---|
| 2011             | \$1,026.9                      | \$167.3                                    | \$6,812.0   | \$887.0   | \$8,893.2   |
| 2012             | 191.1                          | 102.1                                      | (100.0)   | 915.0   | 1,108.2   |
| 2013             | 618.2                          | 176.6                                      | 4,314.0   | 840.0   | 5,948.8   |
| 2014             | 1,006.1                        | 141.4                                      | 6,848.0   | 779.0   | 8,774.5   |
| 2015             | 197.7                          | 149.0                                      | 2,383.9   | 600.0   | 3,330.6   |
| <b>Projected</b> |                                |  |   |   |   |
| 2016             | 65.5                           | 20.0                                       | 416.0   | 290.0   | 791.5   |
| 2017             | 95.8                           | 20.0                                       | 3,488.0   | 333.0   | 3,936.8   |
| 2018             | 53.6                           | 20.0                                       | 3,646.0   | 369.0   | 4,088.6   |
| 2019             | 7.1                            | 20.0                                       | 3,819.0   | 401.0   | 4,247.1   |
| 2020             | 0.0                            | 20.0                                       | 4,011.0   | 388.0   | 4,419.0   |
| 2021             | 0.0                            | 20.0                                       | 4,217.0   | 385.0   | 4,622.0   |
| 2022             | 0.0                            | 20.0                                       | 4,432.0   | 361.0   | 4,813.0   |
| 2023             | 0.0                            | 20.0                                       | 4,656.0   | 336.0   | 5,012.0   |
| 2024             | 0.0                            | 20.0                                       | 4,888.0   | 316.0   | 5,224.0   |
| 2025             | 0.0                            | 20.0                                       | 5,129.0   | 297.0   | 5,446.0   |

- (1) This table displays actual results for FYs 2011 through 2015, and forecasted amounts for FYs 2016 through 2025. Forecasts are derived from the Fall 2015 Revenue Sources Book for the CBRF and APFC dedicated oil revenue. APFC investment revenue is derived from Alaska Permanent Fund Corporation's December 31, 2015 Fund Financial History and Projections. The table reflects the State's statutory requirement to restrict a significant portion of FY revenues and investment earnings.
- (2) Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its *Comprehensive Annual Financial Report*. The value for Alaska Permanent Fund Corporation's (APFC) Investment Revenue (GASB) for FY 2015 uses the accounting (GAAP) net income as of June 30, 2015. APFC mid case projections, as of December 31, 2015, are used for FY 2016 through 2025.
- (3) Comprised of 50% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the State. 50% of this amount is restricted by the Constitution and 50% is restricted by Statute.

Sources: *State of Alaska Department of Revenue, Tax Division and State of Alaska Office of Management and Budget Forecasts from the Fall 2015 Revenue Sources Book for the CBRF. Alaska Permanent Fund Corporation forecasts are based on the Monthly Financial Report for December 31, 2015.*

### General Fund Forecasts

The State regularly prepares General Fund financial forecasts for planning and budgetary purposes. Table 5 provides a summary of the State's most recent General Fund revenue and expenditure forecasts, including forecast beginning and ending balances of available funds in the Constitutional Budget Reserve Fund and Permanent Fund Earnings Reserve through 2025 and forecast oil prices and production levels during the same time period.

Of necessity, such forecasts include assumptions about events that are not within the State's control. The forecast oil production volumes include only production on State land and only current production and production expected from projects currently under development or evaluation on State land. The forecast does not include any revenues that could be received if a natural gas pipeline is constructed. In making its forecasts, the State makes assumptions about, among other things, the demand for oil and national and international economic factors and assumes that the Legislature will not amend current laws to change materially the sources and uses of State revenue and that no major calamities such as earthquakes or catastrophic damage to TAPS will occur. Portions of TAPS are located in areas that have experienced and

may in the future again experience major earthquakes. Actual revenues and expenditures will vary, perhaps materially, from year to year, particularly if any one or more of the assumptions upon which the State's forecasts are based proves to be incorrect or if other unexpected events occur. See "Government Funds" for a description of some of the actions the State can take when revenues prove to be lower than expected.

**Table 5**  
**State of Alaska Unrestricted General Fund and Budget Reserve Scenario**  
**FYs 2016 through 2019<sup>(1)</sup>**

| FY   | General Purpose Unrestricted Revenues (\$mil) | Recurring & Discretionary General Fund Expenditures (\$mil) <sup>(1)</sup> | Unrestricted Revenue Surplus/ (Deficit) (\$mil) | Ending CBRF Reserves Available Balance (\$mil) | Permanent Fund Earnings Reserve Balance (\$mil) <sup>(2)</sup> | Oil Price Forecasts (\$/barrel) | ANS Oil Production Forecasts (thousand barrels per day) |
|------|---|--|---|--|--|---------------------------------|---|
| 2016 | \$1,593.0                                     | \$4,970.5  | \$(3,377.5)                                     | \$7,104.8                                      | \$7,976.0  | \$49.58                         | 500.2   |
| 2017 | 1,796.4                                       | 4,816.4  | (3,020.0)                                       | 4,202.6  | 8,137.0  | 56.24                           | 504.9   |
| 2018 | 2,021.0                                       | 4,717.5  | (2,696.5)                                       | 1,583.0  | 8,438.0  | 62.73                           | 497.7   |
| 2019 | 2,130.0                                       | 4,722.9  | (2,592.9)                                       | 0.0  | 7,944.1 <sup>(3)</sup>   | 68.95                           | 487.6   |

(1) This table represents one possible scenario taken from the revenue and expenditure projections as of the Fall 2015 Revenue Sources Book release. Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY 2016, FY 2017 or any future year. The forecasts show that unanticipated budget shortfalls during the period presented could be filled primarily through use of reserve funds; however, other fiscal tools including spending reductions and the State's fund structure would likely be used in addition to, or in lieu of, reserve funds. General fund expense projections use budget summary in FY 2017 10-year plan.

(2) FY 2016 through 2019 Permanent Fund Earnings Reserve Balance uses mid-case projections as of Alaska Permanent Fund Corporation's December 31, 2015 Monthly Financial Report, and forecasts available at that time. The anticipated deficit for fiscal year 2019 reflects a projected appropriation from the Permanent Fund Earnings Reserve to balance the State budget.

(3) Includes estimated draw from the Permanent Fund Earnings Reserve Balance in the amount of \$1,009.9 million.

Sources: State of Alaska Department of Revenue, Tax Division and State of Alaska Office of Management and Budget. Forecasts from the Fall 2015 Revenue Sources Book for the CBRF, oil price, production and unrestricted revenue. Alaska Permanent Fund Corporation forecasts are based on the Monthly Financial Report for December 31, 2015.

As reflected in Table 5 projecting the State's historical definition of general purpose unrestricted revenue, maintaining an Alaska Permanent Fund Dividend distribution to residents, maintaining a relatively flat recurring and discretionary general fund expenditure level, and not relying on the Permanent Fund's Earning Reserve becomes unsustainable in FY 2019. The Governor has proposed, as described in "Fiscal Year 2017 10-Year Plan", and the Legislature is currently considering a fiscal plan to redefine general purpose unrestricted revenue to include other sources and diminish recurring and discretionary general fund expenditures. While it is uncertain if the fiscal plan will be adopted in whole or part, it provides for a sustainable budget as reflected in Table 6.

### General Fund Expenditure Trends

From FY 2005 through FY 2015, recurring Unrestricted General Fund expenditures have grown by an average of 5.1% annually. A significant portion of the expenditures during this time frame was for savings, to forward-fund future FY obligations as well as making targeted capital investments. More recently expenditure trends have reversed with FY 2013 through FY 2015 Unrestricted General Fund expenditures diminishing by an annualized rate of over 3.6%. The enacted FY 2016 budget included approximately \$4.954 billion in Unrestricted General Fund appropriations.

The Governor's proposed FY 2017 Unrestricted General Fund expenditure authorizations presented to the Legislature authorizes \$5.556 billion of spending comprised of \$5.406 billion of operating costs and \$150.3 million of capital items. The Alaska Legislature will approve the FY 2016 budget by

April 19, 2015. The Governor will then have the ability to exercise his line item veto on that budget. The Legislature can choose to challenge those vetoes or accept the post veto budget as final.

### **Fiscal Year 2017 10-Year Plan**

The Executive branch is obligated by statute to provide a 10-year plan on an annual basis. This plan is provided in complete form on the Office of Management and Budget's website.

The FY 2017 10-Year Plan includes an explanation of Governor Walker's fiscal plan, "The New Sustainable Alaska Plan". The Governor introduced the plan in response to the decline in the price of oil and correlated decrease in oil and gas revenue that the State has historically used to provide for the vast majority of unrestricted general fund spending. The plan includes the five strategies of reducing government spending, supporting key investments for Alaska's future, transition to a sovereign wealth approach for funding government, adjust existing and implement new taxes, and maximize additional revenue sources.

The first strategy emphasizes a lean spending plan scrutinizing all operations and programs to create a more cost-effective delivery of public services. State general fund spending has decreased 37 percent since FY 2013, from \$8 billion to \$5 billion. The FY 2016 budget implements agency operating reductions of \$400 million (10 percent) and resulted in approximately 600 fewer state employees, and the FY 2017 budget proposes another \$140 million reduction in agency operating cuts. Action items include reducing executive agency and legislative operating costs, privatize some government services, target cross agency efficiencies to improve services and reduce costs, and reform the oil and gas tax credit system to reduce state expenditures, reward Alaskan hire, and build a new system of direct loans. In addition to efforts of the Executive Branch, the Legislature is likewise considering a variety of budgetary reductions including elimination or diminishing roles of state agencies, state public corporations, state grant programs, or other items historically funded by the State budget.

The second strategy maintains a strategic commitment to key investments in Alaska's future, spending to protect existing infrastructure, effective public education, ensure earliest possible new revenue streams through a natural gas pipeline project, and create economic stimulus with pipeline pre-construction and construction jobs. The strategy vigorously pursues an Alaska liquefied natural gas project, establishes a capital budget using general obligation bonds in 2016 and 2018 to support only those funding requirements that would otherwise require cash payments, like transportation matches and disciplined deferred maintenance investments, and only re-introduce a sustainable general fund capital budget after stabilizing the operating budget.

The third strategy transitions the State to a sovereign wealth approach, using financial assets in a calculated, formulaic, sustainable way, to provide a stable source of revenue. The transition re-works the flow of funding in the state's fiscal structure by diverting volatile resource revenue away from being the primary sources of funding for the State's annual budget and putting it directly into the Permanent Fund. A transfer of approximately \$3 billion from the Constitutional Budget Reserve Fund into the Earnings Reserve on a one-time basis to provide the initial starting balance is required to permit a sustainable draw. The approach provides a stable and consistent withdrawal from the earnings of the Permanent Fund, while still allowing the Permanent Fund to grow over time. The current dividend program in Alaska is largely tied to performance of the global equity market, not resource development. The New Sustainable Alaska Plan would tie dividends directly to the State resource revenue by distributing a 50 percent share of annual natural resource royalty revenue as dividends to Alaskans. The proposal sets a 2016 transitional dividend at \$1,000; but dividends are expected to remain in the \$1,000 range going forward based on current estimates of future royalty revenues. The remaining 50 percent of annual natural resource royalties and 100 percent of production tax revenues will go into the Permanent Fund. Investment earnings from the fund will continue to flow to the Earnings Reserve as they do today.

The fourth strategy adjusts and implements new taxes to close the remaining gap using a balanced suite of targeted and broad-based taxes; as well as cross-industry tax adjustments, to include the tightening of current tax loopholes. Participation is expected from oil and gas, mining, fishing, tourism, Alaskans, and non-resident workers. Despite anticipated changes, the tax burden on individual Alaskans will still remain among the lowest in the nation. The New Sustainable Alaska Plan calls for an increase to alcohol, tobacco, and motor fuel taxes, and implementation of an income tax based on a percentage of federal tax liability. The plan also calls for the modification of the state's oil and gas tax credit system to reduce those expenditures, while honoring existing claims and continuing to provide meaningful development assistance.

The fifth strategy calls for maximization of other revenue sources. Action items include leveraging Federal matching funds for transportation and Medicaid to serve Alaskans and to strengthen the state's private economy, assure revenue plans are developed when programs are introduced, and maximize dividends from state corporations.

At this time it is uncertain to what extent, if any, the Fiscal Year 2017 10-Year Plan will be adopted by the Legislature. In addition to the Governor's plan, members of the Legislature have also introduced legislation to both change how the State utilizes revenue historically restricted by custom and generate new revenue through taxation. The legislative leadership has also publicly declared their intent to further diminish the level of State spending. The Fiscal Year 2017 budget isn't expected to be finally adopted and reviewed by the Governor until after April 17, 2016.

The following Table 6 summarizes forecasted revenue detail and budget outlays from fiscal year 2016 through 2026 as contained in the Fiscal Year 2017 10-Year Plan:

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**Table 6**  
**State of Alaska**  
**Forecast Summary of the State Budget & Proposed Revenue Detail**  
**FY 2017 10-year Plan, Office of Management & Budget**  
**FYs Ended June 30, 2016-2026**  
**(\$ millions)**

|   | <b>FY 2016<br/>Management<br/>Plan</b> | <b>FY 2017</b>   | <b>FY 2018</b>   | <b>FY 2019</b>   | <b>FY 2020</b>   | <b>FY 2021</b>   | <b>FY 2022</b>   | <b>FY 2023</b>   | <b>FY 2024</b>   | <b>FY 2025</b>   | <b>FY 2026</b>   |
|---|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Existing Revenue</b>                     |  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Oil & Gas Royalty                           | \$650.5                                | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |
| Oil & Gas Production<br>Tax                 | 172.1                                  | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| All Other<br>Unrestricted Revenue           | 770.4                                  | 839.5            | 904.3            | 932.6            | 946.5            | 1,000.0          | 1,040.0          | 1,081.6          | 1,124.9          | 1,169.9          | 1,216.7          |
| <b>Total Existing Revenue</b>               | <b>1,593.0</b>                         | <b>839.5</b>     | <b>904.3</b>     | <b>932.6</b>     | <b>946.5</b>     | <b>1,000.0</b>   | <b>1,040.0</b>   | <b>1,081.6</b>   | <b>1,124.9</b>   | <b>1,169.9</b>   | <b>1,216.7</b>   |
| <b>New Revenues</b>                         |  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Mining                                      | -                                      | 10.0             | 12.0             | 12.3             | 12.8             | 13.3             | 13.8             | 14.4             | 14.9             | 15.5             | 16.1             |
| Fishing                                     | -                                      | 19.0             | 20.0             | 20.5             | 21.3             | 22.1             | 23.0             | 23.9             | 24.9             | 25.9             | 26.9             |
| Tourism                                     | -                                      | 14.0             | 15.0             | 15.3             | 16.0             | 16.6             | 17.3             | 17.9             | 18.7             | 19.4             | 20.2             |
| Motor Fuel                                  | -                                      | 44.0             | 44.0             | 45.0             | 46.8             | 48.7             | 50.6             | 52.6             | 54.7             | 56.9             | 59.2             |
| Alcohol                                     | -                                      | 38.0             | 39.0             | 39.9             | 41.5             | 43.1             | 44.9             | 46.7             | 48.5             | 50.5             | 52.5             |
| Tobacco                                     | -                                      | 25.0             | 25.0             | 25.6             | 26.6             | 27.6             | 28.8             | 29.9             | 31.1             | 32.3             | 33.6             |
| Oil & Gas<br>Individual Income<br>Tax       | -                                      | 100.0            | 100.0            | 102.3            | 106.3            | 110.6            | 115.0            | 119.6            | 124.4            | 129.4            | 134.6            |
| <b>Total New Revenues</b>                   | <b>-</b>                               | <b>350.0</b>     | <b>450.0</b>     | <b>460.3</b>     | <b>478.7</b>     | <b>497.7</b>     | <b>517.7</b>     | <b>538.3</b>     | <b>559.8</b>     | <b>582.2</b>     | <b>605.5</b>     |
| <b>Earnings Reserve<br/>Draw</b>            | <b>-</b>                               | <b>3,300.0</b>   | <b>3,300.0</b>   | <b>3,300.0</b>   | <b>3,372.0</b>   | <b>3,445.6</b>   | <b>3,520.9</b>   | <b>3,597.9</b>   | <b>3,676.6</b>   | <b>3,757.0</b>   | <b>3,839.3</b>   |
| <b>Annual Earnings<br/>Draw<sup>1</sup></b> | <b>-</b>                               | <b>-</b>         | <b>135.0</b>     | <b>130.2</b>     | <b>123.1</b>     | <b>141.6</b>     | <b>159.0</b>     | <b>193.8</b>     | <b>198.9</b>     | <b>200.3</b>     | <b>175.0</b>     |
| <b>Gasline Revenue<sup>2</sup></b>          | <b>-</b>                               | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>1,500.0</b>   |
| <b>Draw on Savings</b>                      | <b>3,377.5</b>                         | <b>426.9</b>     | <b>28.2</b>      | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>Total Revenue</b>                        | <b>\$4,970.5</b>                       | <b>\$4,916.4</b> | <b>\$4,817.5</b> | <b>\$4,823.1</b> | <b>\$4,920.3</b> | <b>\$5,084.9</b> | <b>\$5,237.6</b> | <b>\$5,411.6</b> | <b>\$5,560.2</b> | <b>\$5,709.4</b> | <b>\$7,336.5</b> |
| <b>Total Budget<sup>3</sup></b>             | <b>\$4,970.5</b>                       | <b>\$4,816.4</b> | <b>\$4,717.5</b> | <b>\$4,722.9</b> | <b>\$4,820.1</b> | <b>\$4,984.9</b> | <b>\$5,137.5</b> | <b>\$5,311.5</b> | <b>\$5,460.1</b> | <b>\$5,609.4</b> | <b>\$6,022.2</b> |

- (1) On savings and other cash balances - may require attention to corporate dividends such as Alaska Housing Finance Corporation and Alaska Industrial Development and Export Authority beginning in FY2021
- (2) Gasline revenues after cost for financings expected to start in 2026 will be redirected to the Permanent Fund
- (3) For simplicity only management plan expenditures are shown. Supplemental budgets occur regularly but are unpredictable. Revenue in excess of spending would be the source for supplementals.
- (4) Projections in the plan do not represent a commitment by the Administration to propose spending or generate revenue at a particular level in FY2016 or any future year.

Source: Fiscal Year 2017 10-Year Plan.

## **Other Funds Maintained by the State**

The State maintains other types of funds, such as Enterprise Funds, Trust and Agency Funds, Capital Projects Funds and Special Revenue Funds.

Enterprise Funds are operated by the State for “self-supported” activities that provide goods and/or services to the public on a charged payment basis. The International Airports Revenue Fund and a number of State loan program funds are Enterprise Funds.

Trust and Agency Funds are maintained to account for assets held by the State acting in the capacity of custodian or fiduciary agent. In addition to the Permanent Fund and the retirement systems funds, major funds in this category include the Public School Trust Fund, the Mental Health Trust Fund, the Alaska Children’s Trust Fund, the Power Cost Equalization Endowment and the University of Alaska Endowment.

Capital Projects Funds account for the use of the proceeds of general obligation bond issues and matching federal funds for capital outlays. In general, all capital outlay projects are accounted for through Capital Projects Funds except capital projects being financed by the General Fund through direct appropriations and capital projects financed with moneys in the International Airports Revenue Fund.

Special Revenue Funds are maintained in connection with the State’s issuance of revenue bonds, such as revenue bonds issued by the Alaska International Airports System and the Sport Fishing Revenue Bonds.

## **State Ownership of Land and Natural Resources**

Alaska includes approximately 586,412 square miles (approximately 365 million acres) of land and is the largest state in the United States, roughly equivalent in size to one-fifth of all of the other 49 states combined. Unlike the other 49 states, where significant portions of the land may be owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Alaska Native owners.

In 1959, when Alaska became a state, 99.8 percent of the land was owned by the federal government. The Statehood Act, as modified by the Alaska Land Transfer Acceleration Act of 2004, gave the State the right to select and acquire approximately 105.5 million of the nearly 365 million acres of federal lands in Alaska. As of December 31, 2015, close to 95 percent, or approximately 100 million acres, of this grant has been conveyed to the State. In addition, the State owns approximately 65 million acres of submerged and tide lands, some of which overlies areas with the potential for natural resource production.

Land ownership in Alaska is also shaped by the Alaska Native Claims Settlement Act (“ANCSA”) enacted by Congress in 1971. Under ANCSA, 13 regional corporations and more than 200 village corporations were established with Alaska Natives as their shareholders and beneficiaries. These corporations were authorized to select approximately 44 million acres of federal lands and the associated subsurface and surface rights for transfer into their ownership.

In summary, Alaska Natives and ANCSA corporations own approximately 13 percent of Alaska lands, the State owns approximately 26 percent, and the federal government owns approximately 60 percent, with less than one percent of Alaska lands owned by private, non-Native owners. As described below, the State obtains significant revenues from companies that lease State-owned lands for extraction of oil, natural gas, coal, gold, silver, zinc, copper and other minerals and shares with the federal government revenues from oil, natural gas and other assets extracted from federal lands leased by private companies. Additionally, the State receives indirect benefits and tax revenues from development and activity on ANCSA corporation-owned lands.

For State land, Article 8, Section 1 of the State Constitution provides that, “it is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.” The DNR is the State entity entrusted with executing this objective on the approximately 165 million acre upland and tideland portfolio. Consequently DNR has a stewardship and public trust responsibility for all State-owned land, water and resources in addition to regulatory responsibilities on private lands.

As part of this work, DNR manages the State’s mineral, coal, oil and gas, geothermal, timber, material and water resources, provides land use authorizations for surface activities on State land, receives title from the federal government in accordance with the Statehood Act and the Alaska Land Transfer Acceleration Act and conveys land to private purchasers. DNR manages and distributes a large volume of technical data, public records, land records and geospatial information.

**Oil and Gas Reserves.** The majority of the State’s annual revenues have been generated from oil exploration and production since 1968, when the first large oil and gas reservoir on the Arctic Coast was discovered. To enable the production of this resource, the TAPS, an 800-mile, 48-inch crude oil pipeline from the State’s Arctic Coast to Valdez in south-central Alaska was constructed in the 1970s and came online in 1977. This nationally important piece of infrastructure has transmitted approximately 17.7 billion barrels of crude oil from the North Slope of Alaska to market through calendar year 2015.

At peak production levels in 1988, over 2 million barrels per day were flowing through TAPS from the Prudhoe Bay field, the Kuparuk field (the State’s second largest oil-producing area), as well as from the Endicott and Lisburne satellite fields.

The Alaska North Slope continues to see new oil being produced from reworking existing fields, as well as new developments that will bring future production. This new production on the North Slope has helped to offset some of the volume decline since the 1988 peak. The DOR Fall 2015 forecast for North Slope crude oil production is 500,200 barrels per day in FY 2016 and 504,900 in FY 2017. FY 2017 is forecasted to be the first fiscal year-to-year production increases in over a decade.

In the DOR Fall 2015 Revenue Sources Book, the State forecasted that crude oil production on the North Slope would return to a decline after FY 2017 and continue to decline over the 10 year forecast period to 302,100 barrels per day by FY 2025.

In 2012, the DOR began reporting future production as a risk-weighted value in order to account for the risk involved in bringing new projects online as an appropriate measure to prepare the State’s budget. In 2013, the DOR further reduced forecast production due to the increase in natural gas liquids re-injection, more extensive maintenance projections, and reduced oil well performance and recovery response expectation. While this ensures conservative financial planning further into the future, the DOR projected high production case indicates that production could be as high as 377,000 barrels of oil per day in 2035 under the right economic conditions. Production could also be higher with technological breakthroughs or major changes in current conditions. The State does not include any potential production from the Arctic National Wildlife Refuge (“ANWR”) or other fields yet to be discovered in its forecasts. In January 2015, the Obama Administration proposed designating 12 million acres of the ANWR as a protected wilderness area, thereby permanently precluding oil extraction. Only Congress can authorize such designation. No statement is made as to the outcome of this proposal.

FY 2015 capital expenditures on the North Slope of about \$4 billion were the highest in at least a decade. Capital expenditure on the North Slope is forecast to decrease by 8-9% per year in FY 2016 and FY 2017. For most companies, at least some development drilling, exploration or other projects are being deferred until oil prices improve. However, at the same time, companies are proceeding with major projects that are currently in progress, such as development of the Point Thomson field, CD-5 (Alpine West), Mustang, and Moose’s Tooth. Development drilling also continues in most major currently producing area.

Oil production from the smaller fields within the Cook Inlet Basin, in south-central Alaska, has increased for the last five years as new participants enter the Alaska market. Some of these fields have now been in production for over 60 years, but new discoveries in the basin continue to be made. Cook Inlet production has grown from 8,900 barrels per day in 2010 to 18,000 barrels in 2015. The State does not attempt to forecast projects under development or under evaluation for Cook Inlet at this time. Currently producing areas are forecasted to decline down to 9,000 in 2025 although it is highly likely that new projects will continue to trend upward and that 2025 production will be much higher.

Alaska also features immense potential for future production from known (discovered but undeveloped) and unknown (undiscovered) hydrocarbon resources on the North Slope. To highlight the potential of Alaska's North Slope it is often compared to the State of Wyoming. The North Slope is approximately the same size as the State of Wyoming, but while Wyoming has had approximately 19,000 exploratory wells drilled, the North Slope has had fewer than 600. In August 2007, the U.S. Department of Energy ("DOE") released "Alaska North Slope Oil and Gas: A Promising Future or an Area in Decline?" – a report that assessed the potential for Alaska to remain a major producer of oil and gas under various development scenarios. The report examined near-term potential (2007-2015) and long-term potential (2015-2050). According to the report, the North Slope is a relatively underexplored petroleum province that may provide oil and increasingly, natural gas, for years to come.

The 2007 U.S. DOE report evaluated geologic and commercial viability of future oil and gas production from five areas or provinces: 1) the State-owned area between the Colville and Canning Rivers (and adjacent State waters), 2) the "1002" area of the Arctic National Wildlife Refuge, 3) the National Petroleum Reserve in Alaska ("NPR-A"), 4) the Beaufort Sea Outer Continental Shelf ("OCS"), and 5) the Chukchi Sea OCS.

Under the most optimistic scenario, DOE reported mean technically recoverable oil resources of 38.2 billion barrels and mean technically recoverable gas resources of 186.5 trillion cubic feet ("TCF") from these five areas. The State benefits from the production of federal oil within the State (especially in the NPR-A, where the State is entitled to 50 percent of all royalties, bonuses and rents) and benefits to some extent from the production of federal oil from non-State lands shipped through TAPS. These estimates are not included in the DOR's projections of oil production from the North Slope.

In the next ten years, the State anticipates new developments on State and federal lands, both of which benefit the State. Many of the opportunities to add production from State lands are from expanded heavy and viscous oil development, shale oil, continued satellite development at Alpine, and continued developments at Oooguruk and Nikaitchuq.

The Point Thomson field, 20 miles east of the existing Badami development, together with three known satellite fields, is estimated to hold more than eight TCF of gas reserves and more than 500 million barrels of liquid hydrocarbons. Production at Point Thomson began in FY 2016 with daily production of approximately 10,000 barrels per day. Another new field that may begin production is Umiat, first discovered in 1946 by the U.S. Navy. It is estimated to have one billion barrels of oil in place with approximately 200 million recoverable barrels. It has not been developed due to its remoteness, but production at the Umiat field could provide significant production volumes going forward.

The State continues to see strong interest in bidding on leases of State land for oil and gas exploration and production on the North Slope and Cook Inlet. On November 18, 2015, the State received 134 valid bids for North Slope leases from 3 different bidding groups, resulting in 131 tracts sold encompassing 186,400 acres. Bidders included major international producers and established independent companies. Winning bids totaled more than \$9.5 million.



In 2015, no bids were placed in the Alaska Peninsular, Beaufort Sea, and North Slope Foothills areas. In May 2015, the State received 8 bids and sold 7 tracts comprising 20,839 acres in Cook Inlet for \$671 thousand.

**Natural Gas Pipeline Developments.** Natural gas development on the Alaska North Slope has been limited because a pipeline to transport recovered natural gas to market outside Alaska has never been constructed. As a result, natural gas produced in conjunction with oil production on the North Slope is not yet sold commercially in significant volumes. Most of the produced gas is re-injected into the North Slope oil fields for use in enhanced oil recovery projects at the Prudhoe Bay field or at the Kuparuk field while some is used on site or is sold to the TAPS and used to heat field camps, run electrical generators or power the TAPS pump stations. Although there are currently an estimated 35 TCF of known contingent gas resources on the North Slope, mostly in the Prudhoe Bay and Point Thomson fields, geologic estimates for the greater Alaska region by the U.S. Geological Survey (onshore and state waters) and the Bureau of Ocean Energy Management (Outer Continental Shelf waters) place the amount of undiscovered technically recoverable resources at more than 200 TCF.

The State's production tax and royalty provisions apply to natural gas products as well as to oil, and the State's long-term financial planning is based in part on efforts to develop natural gas resources as oil production declines. See "State Revenues—Oil and Gas Revenues" herein.

To spur commercialization of Alaska natural gas, the Legislature enacted the Alaska Gasline Inducement Act ("AGIA") in 2007. In August 2008, following an extensive application and evaluation process, the Legislature authorized the State to award an AGIA license to TransCanada Alaska, a wholly-owned subsidiary of the TransCanada Corporation ("TransCanada"). TransCanada partnered with ExxonMobil, one of the three major North Slope producers.

Pursuant to the AGIA license, TransCanada committed to initiate pre-development activities and to obtain necessary permits to build a 1,715-mile natural gas pipeline from a natural gas treatment plant at Prudhoe Bay to the Alberta Hub in Canada. Under AGIA, the State had agreed to provide matching funds of up to \$500 million to reimburse TransCanada for a portion of the development costs of the proposed pipeline. The AGIA license obligated TransCanada to complete certain predevelopment and regulator steps but did not require them to proceed with construction. The project conducted its initial open season in 2010, receiving multiple bids from potential shippers. In 2012, TransCanada, ExxonMobil, ConocoPhillips and BP formally agreed on a work plan under the AGIA framework and pertinent milestones to explore and develop a concept for a liquefied natural gas project and associated pipeline to Southcentral Alaska.

In January of 2014, a Heads of Agreement ("HOA") was signed by the Commissioners of the DNR and DOR with ExxonMobil, BP, and ConocoPhillips, expressing an agreement to advance a proposed Alaska LNG ("AKLNG") project, which would transport natural gas from the North Slope to provide gas to Alaskans and then to tidewater in Cook Inlet where it would be liquefied and be one of the largest export projects of its kind in the world. Under the HOA, the State would assume a 20%-25% equity share in the Alaska LNG Project commensurate with its royalty and production tax interest in North Slope natural gas production from the Prudhoe Bay and Point Thomson fields. The HOA served as a guidance document to the Legislature during its review of legislation proposed during the 2014 Legislative session. The HOA provided that if acceptable enabling legislation was passed, the Alaska LNG Project would ramp up the Pre-Front End Engineering Design (Pre-FEED) stage and establish a framework for negotiating multiple project-enabling agreements. Those agreements include, but are not limited to contracts for the disposition of the State gas share, individually developed joint marketing agreements for the State's share of LNG, a proposed tailored regulatory framework for the project, and expansion terms that will allow third-party access to all of the project components, including possible construction of a new LNG train at the liquefaction plant.

In 2014, the Legislature approved Senate Bill (“SB”) 138, which provides the authorization for DNR to modify leases, allows the State to enter into certain commercial agreements, revises the production tax for natural gas from leases that are contributing to a North Slope gas commercialization project to allow the State to have an approximate 25% equity share in the project, authorizes a subsidiary of the Alaska Gasline Development Corporation (AGDC) to participate in the project on behalf of the State, and makes other changes to enable progress on a large-scale, integrated LNG project. Considered enabling legislation by the HOA parties, SB 138 allowed the parties to align commercially in a Joint Venture Agreement (“JVA”) signed in July 2014 and ramp up the Pre-FEED stage for the Alaska LNG project. Activities to date have included the formal filing of an application with the U.S. Department of Energy to export LNG to both free trade and non-free trade countries, key summer field season activities, additional engineering and design work, and filing of initial resource reports to the Federal Energy Regulatory Commission (“FERC”). Concurrently with the development of the AKLNG project, AGDC has progressed an alternative, smaller scale project designed to meet domestic gas demand should the larger project falter. AGDC has aligned its schedule to match the AKLNG project and new spending on the AKLNG project has been curtailed until a front end engineering and design (“FEED”) decision is made on AKLNG.

In June 2014, the Department of Natural Resources and TransCanada Alaska Midstream LP signed the Precedent Agreement, which authorized TransCanada to pay upfront capital costs and hold the State’s 25 percent share of ownership in AKLNG’s midstream components including the gas treatment plant and pipeline.

On September 24, 2015, Governor Walker issued an executive proclamation calling the Legislature into special session. The subjects of the special session were to consider an act to monetize certain natural gas reserves through the levy of a gas reserves tax and an act making supplemental appropriations to fund the state’s activities related to the development of the state’s natural gas including appropriation to exercise the states option to acquire TransCanada’s interest in the Alaska Liquefied Natural Gas Project. On October 23, 2015 the Governor withdrew the act to monetize certain natural gas reserves through the levy of a gas reserves tax from the call to special session. On November 4, 2015 the Legislature approved SB 3001 an act making supplemental appropriations to fund the state’s activities related to the development of the state’s natural gas including appropriation to exercise the states option to acquire TransCanada’s interest in the Alaska Liquefied Natural Gas Project, and on November 20, 2015 Governor Walker signed the bill into law. On November 24, 2015 the state paid approximately \$68.5 million to terminate the Precedent Agreement removing the direct participation of TransCanada Alaska Midstream LP from the AKLNG project.

The State is currently responsible for 25% (twenty-five percent) of the Pre-FEED costs of the AKLNG Project. If a decision to move into the FEED phase is made by the parties, the State will be responsible for 25% (twenty-five percent) of the FEED costs. If a decision to move to the construction phase is made by the parties, the State will be responsible for its royalty and gas share of the construction costs, currently anticipated at approximately 25% (twenty-five percent). The State may elect to finance all or a portion of its share of the costs of the AKLNG Project through existing State reserve funds or the issuance of debt. The current estimate of the total FEED and construction costs for the AKLNG project is \$55-60 billion, and the State’s share of that estimated cost would be \$13.75-15 billion.

As of January 2016, the AKLNG Project team updated the legislature on the progress of the Pre-FEED stage activities. The legislature was informed that the initial design scope was 85% complete and that the team was finalizing project design/execution bases for cost and schedule estimating. The 2016 priorities included targeting a final pipeline size decision by April 2016, continuing additional field work to support FERC resource reports finalization, preparing contract strategy development and market engagement to ensure the project is globally competitive and maximizes opportunities for Alaskans. Finally, the team anticipated completing the Pre-FEED work and providing the project participants information necessary to make a FEED decision anticipated during FY 2017. During the Pre-FEED stage,

the project participants are also continuing to negotiate the commercial agreements necessary to move forward with a project.

On February 17, 2016 Governor Walker and AKLNG partners ExxonMobil, BP and ConocoPhillips announced a commitment to continue to work together to explore options to advance the AKLNG project. The technical work associated with the work plan is on track to have the pre-FEED work completed in the fall of 2016. The partners acknowledged the difficult business environment that is currently being experienced and that additional details on the AKLNG project are expected to be determined in March 2016.

**Mineral Resources.** According to USGS the State of Alaska contains large amounts of the world's mineral resources including 17% of the coal, 8% of the gold, 5% of the Zinc, 4% of the copper, 3% of the lead, & 2% of the silver. Six large mines that produce zinc, gold, lead, silver, and coal are currently in operation and several other large mines are under development or exploration. There are also more than 400 smaller scale placer gold, and sand and gravel mining operations.

The six major Alaska mines are:

- Red Dog Mine, a surface mine and mill that produces zinc, lead and silver in concentrates in the Northwest Arctic Borough. It is a joint venture between Teck and an Alaska Native Corporation ("NANA Regional Corporation"). Red Dog is one of the largest zinc mines in the world, both in terms of production and reserves.
- Fort Knox Mine, owned by Kinross, has been the largest gold producer in Alaska since production began in 1996 and is located 25 miles northeast of Fairbanks.
- Pogo Mine is an underground gold mining operation that began producing gold in 2006, operated by Sumitomo Metal Mining.
- Usibelli Coal Mine, located outside Healy, in the interior of the State, is the only operating coal mine in Alaska and was established in 1943.
- Greens Creek Mine, located on Admiralty Island, in southeast Alaska near Juneau, is an underground polymetallic mine producing silver, gold, zinc and lead since 1989. It is owned by Hecla and is one of the world's top 10 silver producers.
- Kensington Gold Mine, located on the east side of Lynn Canal about 45 miles north-northwest of Juneau, is owned by Coeur Alaska. It began production in 2010.

Mining claims and prospecting sites covered approximately 3.6 million acres of Alaska in 2014, with 6,003 active Federal and 40,729 active state mining claims. State 40- and 160-acre claim staking decreased by almost 50 percent in 2014, while staking of state prospecting sites decreased by 32 percent. More than 75 percent fewer Federal claims were staked in 2014.

The total reported value of Alaska's mineral industry decreased in 2014 to \$3.66 billion, more than 7% lower than its \$3.95 billion value in 2013. The total value is a composite of the year's expenditures on exploration and development plus the estimated first market value of the commodities produced. Alaska's mineral production sector remained strong despite slowdowns in exploration and development spending. Zinc was the top metal produced in 2014, according to its production value of almost 44 percent of total Alaska metal production. Gold followed at 37.5 percent, along with silver at 9.5 percent, and lead at 9.2 percent. The decreased mineral production value in 2014 compared with 2013 resulted primarily from lower metal prices. The average 2014 price for gold dropped 10.3 percent from the previous year's average, while the price of zinc rose 12.6 percent.

In calendar year 2014, the value of Alaska's large mine gross mineral production was \$3.28 billion, down 4 percent compared to \$3.42 billion in 2013, and \$3.44 billion in 2012. Exploration expenditures in

2014 totaled \$96.2 million, compared with \$176 million in 2013, and \$335 million in 2012. Total value spent on exploration since 1981 is estimated at \$3.3 billion. The industry spent an estimated \$282 million on mine construction and other capital investment in 2014, down 21.5% compared to \$359 million in 2013, and \$342 million in 2012. Alaska's mining industry also provided an estimated 4,400 direct mining industry jobs in Alaska in 2014, with 8,700 total direct and indirect jobs, and \$620 million in total direct and indirect payroll.<sup>1</sup>

Mining companies are among the largest taxpayers in the City and Borough of Juneau, the Fairbanks North Star Borough, the Denali Borough and the Northwest Arctic Borough. In 2012, the estimated value of gold production in Alaska for both domestic and international markets (more than \$1.5 billion) overtook the zinc production value for the first time since 1989 (when Red Dog Mine began commercial production of zinc). Even so, zinc and lead produced by Red Dog Mine accounted for approximately 41 percent of the entire value of Alaska's mineral production in 2013. Minerals are the State's second largest non-oil export commodity, behind seafood, and accounted for export value of \$1.75 billion, or 34 percent of the State's non-oil export total in 2014.

Advanced exploration or development stage mineral projects in Alaska include:

- The Donlin Gold Project in southwest Alaska, a large open-pit gold deposit.
- The Chuitna Coal Project, located in the Beluga Coal Field of south-central Alaska.
- Bornite, Ambler and Lik projects in northwest Alaska, all base-metal sulfide deposits.
- The Pebble Project, an initiative to develop a copper, gold and molybdenum deposit in the Bristol Bay region of southwest Alaska.
- The Livengood gold project north of Fairbanks, which completed a feasibility study in 2013.
- The Niblack and Palmer projects in southeast Alaska, for the production of gold, silver, copper, lead and zinc.
- The Bokan Mountain project, a rare earth minerals deposit in southeast Alaska, on Price of Wales Island.
- The Graphite Creek graphite project on the Seward Peninsula north of Nome.
- The high-grade gold veins at the Terra project in the western Alaska Range.

As described below, the State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties. Production may end over the next decade at several of the mines that currently contribute most of the State's mining-related revenue. In most cases, as is common in the industry, new resource areas are being explored for expansions and extensions of the mine life. In addition, several projects are in advanced exploration or the permitting phase. Overall, in calendar 2014, over \$102.2 million of reported and estimated revenues were paid to the State of Alaska and municipalities by Alaska's mineral industry, with a state total of \$83.7 million, and an estimated municipality total of \$18.5 million. Additional revenues went to the Mental Health Trust, and native corporations. There was an estimated \$144 million in payments to Alaska Native corporations in 2014.<sup>1</sup> See "State Revenues – Non-Oil Revenues."

Alaska has a number of deposits of rare earth elements, which are used in magnets, batteries, refining and other metallurgical applications. Finished products in which they are critical include smart phones, hybrid cars, military hardware, advanced consumer electronics, fiber optics and windmills. Bokan Mountain, which is located in Southeast Alaska, on Prince of Wales Island near Ketchikan, has inferred resources of between 1.0 and 6.7 million metric tons. There are three other known deposits of rare earth elements located on Prince of Wales Island, as well as near Nome and Fairbanks that are currently under

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<sup>1</sup> McDowell Group, Inc. January 2015 – The Economic Benefits of Alaska's Mining Industry, 2014 Estimated

evaluation. The Alaska Division of Geological & Geophysical Surveys is currently engaged in a major project to detail Alaska's potential to develop rare earth elements and other strategic and critical minerals.

In 2014, SB 99 was approved providing authorization for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project, and the Niblack project. The principal amount of the bonds provided by AIDEA for the Bokan-Dotson Ridge rare earth element project may not exceed \$145 million. The principal amount of the bonds provided by AIDEA for the Niblack project may not exceed \$125 million.

**Other Major Resources.** Fish and game have long been important resources in Alaska, and taxes on fish landings and processing represent a share of the State's non-petroleum revenues. With increased air and cruise services to Alaska in the last 10 years, tourism is now another important source of revenue for the State. Although passenger fee revenues are restricted revenue and not available for general appropriations, the large commercial passenger cruise vessels are subject to the State corporate income tax, the proceeds of which are unrestricted. See "State Revenues—Other Non-Oil and Non-Mineral Revenues" below.

### **Public Debt and Other Obligations of the State**

State debt includes general obligation bonds and revenue anticipation notes, and State-supported debt includes lease-purchase financings and revenue bonds. The State also provides guarantees and other support for certain debt and operates a school debt and capital project debt reimbursement program. These programs do not constitute indebtedness of the State but do provide, annually on a subject-to-appropriation basis, financial support for general obligation bonds of State agencies and political subdivisions.

Outstanding State Debt. State debt includes general obligation bonds and revenue anticipation notes. The State Constitution provides that general obligation bonds must be authorized by law and be ratified by the voters and permits authorization of general obligation bonds only for capital improvements. The amount and timing of a bond sale must be approved by the State Bond Committee. For both general obligation bonds and revenue anticipation notes, the full faith, credit and resources of the State are pledged to the payment of principal and interest. If future State revenues are insufficient to make the required principal and interest payments, the State is legally required to raise taxes to provide sufficient funds for this purpose. \$744.2 million of general obligation bonds were outstanding as of June 30, 2015. See "—Summary of Outstanding Debt" and Tables 7 - 9 below.

On November 6, 2012, voters approved \$453,499,200 in general obligation bonds for the purpose of design and construction of State transportation projects. The State used \$149,645,000 of this authority in FY 2013 to issue bond anticipation notes. The State has issued bond anticipation notes in 2013, 2014, and 2015 that have provided cumulative funding of \$181.9 million. The 2015 Notes will be paid with an FY appropriation of \$10 million and proceeds of the Bonds. The State plans to issue up to an additional \$150 million of bond anticipation notes in the coming six months to provide additional funding under the 2012 State Transportation Bond Act.

House Bill 23 was approved in the 2014 Legislative Session authorizing the issuance of up to \$300 million of State-supported toll revenue bonds for the purpose of partially funding a bridge from Anchorage to the Matanuska-Susitna Borough across Knik Arm. Additional funding was provided by the State entering into a TIFIA loan and use of Federal Highway Administration funds. Toll collections are to be pledged to the TIFIA Loan first and the State toll revenue bonds second. Based on projected cash flows the State would expect to pay debt service on the State toll revenue bonds using annual State appropriations. The project was on hold pursuant to Administrative Order 271, but was subsequently cleared for additional work to determine the feasibility of obtaining a TIFIA loan for the proposed structure

The following other debt and debt programs of the State were outstanding as of June 30, 2015, except as otherwise noted.

State Guaranteed Debt. The only purpose for which State guaranteed debt may be issued is for payment of principal and interest on revenue bonds issued for the Veterans Mortgage Program by the Alaska Housing Finance Corporation for the purpose of purchasing mortgage loans made for residences of qualifying veterans. These bonds are general obligation bonds of the State, and they must be authorized by law, ratified by the voters and approved by the State Bond Committee. These bonds are known as “double-barrel bonds” because there are two distinct forms of security behind the bonds. The principal source of payment is the revenue stream generated by payments on the mortgage loans made from bond proceeds. Additional security to bondholders is provided by the general obligation pledge of the State to make the required debt service payments in the event that pledged revenues from mortgage repayments are insufficient. Approximately \$56.9 million of State guaranteed debt was outstanding as of June 30, 2015. On November 7, 2010 the voters approved an additional \$600 million of State guaranteed veteran’s mortgage bonds, and the total current unissued authorization is \$694.6 million.

State Supported Debt. State supported debt is debt for which the ultimate source of payment is, or may include, appropriations from the General Fund. The State does not pledge its full faith and credit to State-supported debt, but another public issuer may have pledged its full faith and credit to it. State supported debt is not considered “debt” under the State Constitution, because the State’s payments on this debt are subject to annual appropriation by the Legislature. Voter approval of such debt is not required. State supported debt includes lease-purchase financing obligations (including lease revenue capital lease bonds and certificates of participation issued by lessors of facilities used by the State) and the share of municipal general obligation bonds issued for school construction and other capital projects that is reimbursable by the State on a subject to appropriation basis. Approximately \$1,206.0 million of State supported debt was outstanding as of June 30, 2015. As of June 30, 2015, the State was obligated on \$30.8 million of lease purchase financing obligations, \$244.0 million of capital lease bonds and \$35.84 million of capital project reimbursements. As of June 30, 2015, the State was reimbursing local municipalities on the debt service of \$895.4 million of bonds under the School Reimbursement Program.

State Moral Obligation Debt. State moral obligation debt consists of bonds issued by certain State agencies or authorities that are secured, in part, by a debt service reserve fund benefited by a discretionary replenishment provision that permits, but does not legally obligate, the Legislature to appropriate to the particular State agency or authority the amount necessary to replenish the debt service reserve fund up to its funding requirement (generally the maximum amount of debt service required in any year). State moral obligation debt is payable in the first instance by revenues generated from loan repayments or by the respective projects financed from bond proceeds. Among those State agencies that have the ability to issue State moral obligation debt are: Alaska Aerospace Development Corporation (“AADC”) which has not issued any debt; Alaska Energy Authority (“AEA”); Alaska Housing Finance Corporation (“AHFC”); Alaska Industrial Development and Export Authority (“AIDEA”); Alaska Municipal Bond Bank (“AMBB”); and Alaska Student Loan Corporation (“ASLC”). Approximately \$1,200.4 million of State moral obligation debt was outstanding as of June 30, 2015.

State and University Revenue Debt. This type of debt is issued by the State or by the University of Alaska but is secured only by revenues derived from projects financed from bond proceeds. Revenue debt is not a general obligation of the State or of the University and does not require voter approval. Such debt is authorized by law and issued by the State Bond Committee or the University of Alaska for projects approved by the Commissioner of Transportation and Public Facilities or the University of Alaska. This type of debt includes Sportfish Revenue Bonds, International Airports Revenue Bonds, various University Revenue Bonds and Notes and Toll Facilities Revenue Bonds. A total of \$693.0 million of revenue bonds, including \$174.4 million of University of Alaska Revenue Bonds, Notes and Contracts, \$31.3 million of

Sportfish Revenue Bonds and \$487.3 million of Airport Revenue Bonds were outstanding as of June 30, 2015.

State Agency Debt. State agency debt is secured by revenues generated from the use of bond proceeds or the assets of the agency issuing the bonds. This debt is not a general obligation of the State nor does the State provide security for the debt in any other manner, i.e., by appropriations, guarantees, or moral obligation pledges. As of June 30, 2015, there was \$493.8 million principal amount of State agency debt outstanding comprised of \$16.9 million AHFC obligations; \$10.4 million AMBB Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; \$119.9 million Alaska Railroad Notes; and \$346.6 million of obligations of the Northern Tobacco Securitization Corporation.

State Agency Collateralized or Insured Debt. As security for State agency collateralized or insured debt, the particular State agency pledges mortgage loans or other securities as primary security which, in turn, may be 100 percent insured or guaranteed by another party with a superior credit standing. This upgrades the credit rating on the debt and lowers the interest cost and makes it less likely that the State will assume responsibility for the debt. At June 30, 2015, the total principal amount outstanding of State agency collateralized or insured debt was approximately \$2,218.1 million comprised of approximately \$2,083.4 million issued by AHFC and \$134.7 million issued by AIDEA.

Through the Alaska Pension Obligation Bond Corporation, the State is authorized to issue up to \$5,000 million of bonds and/or enter into contracts to finance the payment by governmental employers of their share of the unfunded accrued actuarial liabilities (“UAALs”) of the retirement systems. The Governor included a proposal to issue up to \$2.5 billion of this authorization in calendar year 2016 if the Legislature supports the issuance. It is uncertain if this issuance will proceed as this time. See also “STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES” below.

Summary of Outstanding Debt. Table 7 lists, by type, the outstanding State-related debt as of June 30, 2015. There have been no general obligation bonds issued by the State since June 30, 2015. Other categories of debt have not been compiled beyond June 30, 2015.

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**Table 7**  
**State of Alaska Debt and State-Related Debt by Type**  
**as of June 30, 2015**  
(\$ in millions)

|  | Principal Outstanding | Interest to Maturity | Total Debt Service to Maturity |
|--|-----------------------|----------------------|--------------------------------|
| <b>State Debt</b>  |                       |                      |                                |
| State of Alaska General Obligation Bonds   | \$753.8               | \$274.0              | \$1,027.8                      |
| <b>State Supported Debt</b>  |                       |                      |                                |
| Lease-Purchase Financings  | 30.8                  | 11.5                 | 42.3                           |
| State Reimbursement of Municipal School Debt Service   | 859.4                 | 300.6                | 1,196.0                        |
| State Reimbursement of Capital Projects  | 35.8                  | 14.7                 | 50.5                           |
| Capital Leases   | 244.0                 | 121.1                | 365.1                          |
| <b>Total State Supported Debt</b>  | <b>1,206.0</b>        | <b>447.0</b>         | <b>1,653.9</b>                 |
| <b>State Guaranteed Debt</b>   |                       |                      |                                |
| Alaska Housing Finance Corporation State Guaranteed Bonds<br>(Veterans' Mortgage Program)  | 56.9                  | 37.7                 | 94.6                           |
| <b>State Moral Obligation Debt</b>   |                       |                      |                                |
| Alaska Municipal Bond Bank:<br>1976, 2005 & 2010 General Resolution General Obligation Bonds   | 940.9                 | 471.2                | 1,412.1                        |
| Alaska Energy Authority:<br>Power Revenue Bonds #1 through #5  | 71.2                  | 14.1                 | 85.3                           |
| Alaska Student Loan Corporation<br>Student Loan Revenue Bonds  | 68.2                  | 4.6                  | 72.8                           |
| Education Loan Backed Notes  | 120.1                 | 1.7                  | 121.8                          |
| Student Capital Project Revenue Bonds  | 0.0                   | 0.0                  | 0.0                            |
| <b>Total State Moral Obligation Debt</b>   | <b>1,200.4</b>        | <b>491.6</b>         | <b>1,692.0</b>                 |
| <b>State Revenue Debt</b>  |                       |                      |                                |
| Sportfish Revenue Bonds  | 31.3                  | 7.6                  | 38.9                           |
| International Airports Revenue Bonds   | 487.3                 | 215.5                | 702.8                          |
| <b>University of Alaska Debt</b>   |                       |                      |                                |
| University of Alaska Revenue Bonds   | 132.2                 | 41.2                 | 173.4                          |
| University Lease Liability and Notes Payable   | 41.0                  | 18.4                 | 59.4                           |
| Installment Contracts  | 1.2                   | 0.1                  | 1.3                            |
| <b>Total University of Alaska Debt</b>   | <b>174.4</b>          | <b>59.7</b>          | <b>234.1</b>                   |
| <b>Total State Revenue and University Debt</b>   | <b>693.0</b>          | <b>275.2</b>         | <b>968.2</b>                   |
| <b>State Agency Debt</b>   |                       |                      |                                |
| Alaska Housing Finance Corporation<br>Commercial Paper   | 16.9                  | N/A                  | 16.9                           |
| Alaska Municipal Bond Bank Coastal Energy Loan Bonds   | 10.4                  | 2.4                  | 12.8                           |
| Alaska Railroad  | 119.9                 | 19.9                 | 139.8                          |
| Northern Tobacco Securitization Corporation<br>2006 Tobacco Settlement Asset-Backed Bonds  | 346.6                 | 394.9                | 741.5                          |
| <b>Total State Agency Debt</b>   | <b>493.8</b>          | <b>417.2</b>         | <b>911.0</b>                   |
| <b>State Agency Collateralized or Insured Debt</b>   |                       |                      |                                |
| Alaska Housing Finance Corporation<br>Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:<br>2002 Through 2011 (First Time Homebuyer Program) | 852.5                 | 477.6                | 1,330.1                        |
| General Mortgage Revenue Bonds 2012  | 129.1                 | 67.4                 | 196.5                          |
| Government Purpose Bonds 1997 & 2001   | 128.2                 | 33.9                 | 162.1                          |
| State Capital Project Bonds, 2002-2011   | 202.2                 | 76.3                 | 278.5                          |
| State Capital Project Bonds, II 2012-2014  | 771.4                 | 300.9                | 1,072.3                        |
| Alaska Industrial Development and Export Authority<br>Revolving Fund and Refunding Revolving Fund Bonds  | 64.7                  | 21.8                 | 86.5                           |
| Power Revenue Bonds, First Series (Snettisham Hydro Project)   | 70.0                  | 42.5                 | 112.5                          |
| <b>Total State Agency Collateralized or Insured Debt</b>   | <b>2,218.1</b>        | <b>1,020.4</b>       | <b>3,238.5</b>                 |
| <b>Total State and State Agency Debt</b>   | <b>6,622.0</b>        |                      |                                |
| <b>Municipal Debt</b>  |                       |                      |                                |
| School G.O. Debt   | 1,299.4               | \$ N/A               | \$ N/A                         |
| Other G.O. Debt  | 1,095.5               | N/A                  | N/A                            |
| Revenue Debt   | 954.3                 | N/A                  | N/A                            |
| <b>Total Municipal Debt</b>  | <b>3,349.2</b>        |                      |                                |
| <b>Less: State Reimbursable School Debt Reported by Municipalities</b>   | <b>-1,175.2</b>       |                      |                                |
| <b>Less: Alaska Municipal Bond Bank Debt included in Municipal Debt</b>  | <b>-927.7</b>         |                      |                                |
|  | <b>1,246.3</b>        |                      |                                |
| <b>Total Alaska Public Debt (2)</b>  | <b>\$7,868.3</b>      |                      |                                |

(1) University debt owed to AHFC is double counted in detail, but eliminated from Total Alaska Public Debt.

(2) Reimbursable school G.O. debt is included in "State Supported Debt"; Capital Leases are included in "State Agency Collateralized or Insured Debt and Municipal Debt"; State Reimbursement of Capital Projects is included in "University and Municipal Debt."

Sources: Annual reports and financial statements of AHFC, AMBB, AIDEA, AEA, University of Alaska, Alaska Railroad, and directly from agencies.



**General Fund Supported Obligations.** General Fund support is pledged and required for only a portion of the total outstanding Alaska Public Debt. General Obligation Bonds are unconditionally supported, and Certificates of Participation and Capital Leases are subject-to-appropriation commitments with associated obligations. The School Debt and Capital Project Reimbursement Programs provide discretionary annual payments to municipal issuers for qualified general obligation bonds that are eligible by statute to participate in the programs. Over the last 20 years, the State has fully funded these programs. Tables 8 and 9 show the historical level of support the State has provided from the General Fund for these outstanding obligations and the forecast support required to retire the outstanding obligations.

**Table 8**  
**State of Alaska**  
**Debt Service on State Supported Debt**  
**FYs Ended June 30, 1986 – 2015**  
(\$ millions)

| FY   | State<br>G.O. | University<br>Revenue Debt | Lease /<br>Purchase | Capital<br>Leases (1) | School Debt<br>Reimbursement | Capital Project<br>Reimbursements | Total Debt<br>Service (2) |
|------|---------------|----------------------------|---------------------|-----------------------|------------------------------|-----------------------------------|---------------------------|
| 1986 | \$163.2       | \$1.8                      | \$10.4              | —                     | \$106.3                      | —                                 | \$281.7                   |
| 1987 | 154.9         | 1.8                        | 11.2                | —                     | 115.8                        | —                                 | 283.7                     |
| 1988 | 147.9         | 1.5                        | 11.2                | —                     | 109.5                        | —                                 | 270.1                     |
| 1989 | 135.5         | 2.2                        | 11.7                | —                     | 110.2                        | —                                 | 259.6                     |
| 1990 | 120.3         | 2.2                        | 12.0                | —                     | 107.4                        | —                                 | 241.9                     |
| 1991 | 95.5          | 2.7                        | 12.0                | —                     | 116.3                        | —                                 | 226.5                     |
| 1992 | 68.2          | 2.7                        | 11.8                | —                     | 127.3                        | —                                 | 210.0                     |
| 1993 | 59.7          | 3.7                        | 11.2                | —                     | 124.9                        | —                                 | 199.5                     |
| 1994 | 33.8          | 0.2                        | 8.5                 | —                     | 98.6                         | —                                 | 141.1                     |
| 1995 | 22.9          | 0.2                        | 10.2                | —                     | 93.7                         | —                                 | 127.0                     |
| 1996 | 21.3          | 0.2                        | 9.6                 | —                     | 79.2                         | —                                 | 110.3                     |
| 1997 | 16.5          | 0.2                        | 9.5                 | —                     | 62.5                         | —                                 | 88.7                      |
| 1998 | 14.2          | 0.2                        | 10.3                | —                     | 61.6                         | —                                 | 86.3                      |
| 1999 | 8.8           | 0.2                        | 15.5                | —                     | 62.0                         | —                                 | 86.5                      |
| 2000 | 2.4           | —                          | 15.0                | \$3.5                 | 64.4                         | —                                 | 85.3                      |
| 2001 | —             | —                          | 12.8                | 3.5                   | 52.1                         | —                                 | 68.4                      |
| 2002 | —             | —                          | 12.4                | 8.8                   | 54.1                         | —                                 | 75.3                      |
| 2003 | —             | —                          | 11.9                | 8.8                   | 52.0                         | —                                 | 72.7                      |
| 2004 | 19.4          | —                          | 12.1                | 8.8                   | 60.6                         | \$0.3                             | 101.2                     |
| 2005 | 46.4          | —                          | 13.8                | 8.8                   | 71.4                         | 0.2                               | 140.6                     |
| 2006 | 45.7          | —                          | 13.2                | 8.6                   | 81.1                         | 2.2                               | 150.8                     |
| 2007 | 45.0          | —                          | 13.2                | 9.1                   | 86.9                         | 3.6                               | 157.8                     |
| 2008 | 44.4          | —                          | 11.1                | 11.8                  | 91.1                         | 4.2                               | 162.7                     |
| 2009 | 43.9          | —                          | 8.0                 | 20.4                  | 93.3                         | 3.9                               | 169.5                     |
| 2010 | 48.9          | —                          | 8.0                 | 29.6                  | 95.8                         | 5.2                               | 187.5                     |
| 2011 | 53.8          | —                          | 8.0                 | 29.7                  | 99.6                         | 5.3                               | 196.4                     |
| 2012 | 78.8          | —                          | 7.5                 | 29.1                  | 100.9                        | 5.8                               | 222.1                     |
| 2013 | 76.3          | —                          | 7.0                 | 28.6                  | 112.3                        | 5.4                               | 229.6                     |
| 2014 | 76.2          | —                          | 1.8                 | 28.7                  | 109.8                        | 5.5                               | 222.0                     |
| 2015 | 73.5          | —                          | 1.8                 | 28.7                  | 118.0                        | 5.5                               | 227.5                     |

(1) Three facilities are financed with capital leases.

(2) Totals may not add due to rounding.

Source: State of Alaska.

**Table 9**  
**State of Alaska**  
**Existing Debt Service on Outstanding State Supported Debt**  
**for FYs Ended June 30, 2016 - 2040**  
\$ (millions)

| FY   | State<br>G.O. (1) | University<br>Revenue<br>Debt | Lease /<br>Purchase (2) | Capital<br>Leases (3) | School Debt<br>Reimbursement (4) | Capital Project<br>Reimbursements | Total Debt<br>Service (5) |
|------|-------------------|-------------------------------|-------------------------|-----------------------|----------------------------------|-----------------------------------|---------------------------|
| 2016 | \$61.3            | -                             | \$4.7                   | \$26.2                | \$111.4                          | \$4.6                             | \$208.2                   |
| 2017 | 63.0              | -                             | 2.9                     | 23.7                  | 105.5                            | 4.6                               | 199.7                     |
| 2018 | 62.9              | -                             | 2.9                     | 23.7                  | 101.1                            | 4.6                               | 195.2                     |
| 2019 | 62.7              | -                             | 2.9                     | 20.2                  | 94.3                             | 4.5                               | 184.6                     |
| 2020 | 51.6              | -                             | 2.9                     | 20.2                  | 90.0                             | 4.5                               | 169.2                     |
| 2021 | 51.0              | -                             | 2.9                     | 20.2                  | 88.2                             | 3.6                               | 165.9                     |
| 2022 | 40.8              | -                             | 2.9                     | 20.2                  | 76.3                             | 3.6                               | 143.8                     |
| 2023 | 40.8              | -                             | 2.9                     | 20.2                  | 72.3                             | 3.6                               | 139.8                     |
| 2024 | 40.9              | -                             | 2.9                     | 20.2                  | 61.2                             | 3.6                               | 128.8                     |
| 2025 | 36.1              | -                             | 2.9                     | 20.2                  | 51.7                             | 3.6                               | 114.5                     |
| 2026 | 36.1              | -                             | 2.9                     | 20.2                  | 40.4                             | 2.8                               | 102.4                     |
| 2027 | 35.6              | -                             | 2.9                     | 20.9                  | 36.3                             | 2.6                               | 98.3                      |
| 2028 | 35.1              | -                             | 2.9                     | 17.6                  | 33.6                             | 2.2                               | 94.7                      |
| 2029 | 35.0              | -                             | 2.9                     | 17.6                  | 28.3                             | 0.9                               | 84.7                      |
| 2030 | 35.1              | -                             | -                       | 17.6                  | 25.2                             | 0.9                               | 78.8                      |
| 2031 | 23.4              | -                             | -                       | 17.6                  | 22.7                             | 0.4                               | 64.1                      |
| 2032 | 23.3              | -                             | -                       | 17.6                  | 19.4                             | -                                 | 60.3                      |
| 2033 | 23.2              | -                             | -                       | 17.6                  | 12.4                             | -                                 | 53.2                      |
| 2034 | 23.1              | -                             | -                       | -                     | 9.9                              | -                                 | 33.0                      |
| 2035 | 0.1               | -                             | -                       | -                     | -                                | -                                 | 0.1                       |
| 2036 | 0.1               | -                             | -                       | -                     | -                                | -                                 | 0.1                       |
| 2037 | 0.1               | -                             | -                       | -                     | -                                | -                                 | 0.1                       |
| 2038 | 12.0              | -                             | -                       | -                     | -                                | -                                 | 12.0                      |
| 2039 | -                 | -                             | -                       | -                     | -                                | -                                 | 0.0                       |
| 2040 | -                 | -                             | -                       | -                     | -                                | -                                 | 0.0                       |

(1) State G.O. debt service is net of federal subsidies for interest expenses from 2016 through 2040.

(2) A prison, a building and a parking garage have been financed with capital leases.

(3) Information as of January 23, 2015, provided by the Department of Education & Early Development.

(4) FY 2016 – 2040 payments are estimated. Totals may not add due to rounding.

(5) Does not include issuance of the Bonds or any other planned bond anticipation notes.

Source: *State of Alaska.*

**Payment History.** The State has never defaulted on its bond obligations nor has it ever failed to appropriate funds for any outstanding securitized lease obligations.

**State Debt Capacity.** The State has historically used the ratio of debt service to revenue as a guideline for determining debt capacity of the State. This policy was established due to the State's relatively small population and high per capita revenue due to oil resource-generated revenue. Historically the State's policy has been that debt service should not exceed five percent of unrestricted revenue when considering only general obligation bonds and certificates of participation that are State supported. More recently, the State has included more discretionary General Fund supported obligations and programs, including the School Debt Reimbursement Program, the Capital Project Reimbursement Program and certain capital leases. With the more inclusive funding, the State's policy allows the annual payments on these items to range up to eight percent of unrestricted revenue. The historical and projected ratio of debt service on outstanding obligations to unrestricted revenue using the official Fall 2015 State revenue forecast is shown in Table 10.

**Table 10**  
**State of Alaska**  
**Debt Service on Outstanding Obligations to Unrestricted Revenues<sup>(1)</sup>**  
**FYs Ended June 30, 1986 – 2025**

| FY               | Unrestricted Revenues | State G.O. Debt Service | State Supported Debt Service | Total State Debt Service | School Debt Reimbursement | Total Debt Service to Revenues |
|------------------|-----------------------|-------------------------|------------------------------|--------------------------|---------------------------|--------------------------------|
|                  | (\$Millions)          | %                       | %                            | %                        | %                         | %                              |
| 1986             | 3,075.5               | 5.3                     | 0.4                          | 5.7                      | 3.5                       | 9.2                            |
| 1987             | 1,799.4               | 8.6                     | 0.7                          | 9.3                      | 6.4                       | 15.8                           |
| 1988             | 2,305.8               | 6.4                     | 0.6                          | 7.0                      | 4.7                       | 11.7                           |
| 1989             | 2,186.2               | 6.2                     | 0.6                          | 6.8                      | 5.0                       | 11.9                           |
| 1990             | 2,507.2               | 4.8                     | 0.6                          | 5.4                      | 4.3                       | 9.6                            |
| 1991             | 2,986.6               | 3.2                     | 0.5                          | 3.7                      | 3.9                       | 7.6                            |
| 1992             | 2,462.6               | 2.8                     | 0.6                          | 3.4                      | 5.2                       | 8.5                            |
| 1993             | 2,352.0               | 2.5                     | 0.6                          | 3.2                      | 5.3                       | 8.5                            |
| 1994             | 1,652.5               | 2.0                     | 0.5                          | 2.6                      | 6.0                       | 8.5                            |
| 1995             | 2,082.9               | 1.1                     | 0.5                          | 1.6                      | 4.5                       | 6.1                            |
| 1996             | 2,133.3               | 1.0                     | 0.5                          | 1.5                      | 3.7                       | 5.2                            |
| 1997             | 2,494.9               | 0.7                     | 0.4                          | 1.1                      | 2.5                       | 3.6                            |
| 1998             | 1,825.5               | 0.8                     | 0.6                          | 1.4                      | 3.4                       | 4.7                            |
| 1999             | 1,348.4               | 0.7                     | 1.2                          | 1.8                      | 4.6                       | 6.3                            |
| 2000             | 2,081.7               | 0.1                     | 0.9                          | 1.0                      | 3.1                       | 4.1                            |
| 2001             | 2,281.9               | 0.0                     | 0.7                          | 0.7                      | 2.3                       | 3.0                            |
| 2002             | 1,660.3               | 0.0                     | 1.3                          | 1.3                      | 3.3                       | 4.5                            |
| 2003             | 1,947.6               | 0.0                     | 1.1                          | 1.1                      | 2.7                       | 3.7                            |
| 2004             | 2,345.6               | 0.8                     | 0.9                          | 1.7                      | 2.6                       | 4.3                            |
| 2005             | 3,188.8               | 1.5                     | 0.7                          | 2.2                      | 2.2                       | 4.4                            |
| 2006             | 4,200.4               | 1.1                     | 0.6                          | 1.7                      | 1.9                       | 3.6                            |
| 2007             | 5,158.6               | 0.9                     | 0.5                          | 1.4                      | 1.7                       | 3.1                            |
| 2008             | 10,728.2              | 0.4                     | 0.3                          | 0.6                      | 0.8                       | 1.4                            |
| 2009             | 5,831.2               | 0.8                     | 0.6                          | 1.3                      | 1.6                       | 2.9                            |
| 2010             | 5,513.3               | 0.9                     | 0.8                          | 1.7                      | 1.7                       | 3.4                            |
| 2011             | 7,673.0               | 0.7                     | 0.6                          | 1.3                      | 1.3                       | 2.6                            |
| 2012             | 9,485.2               | 0.8                     | 0.4                          | 1.3                      | 1.1                       | 2.3                            |
| 2013             | 6,928.5               | 1.1                     | 0.6                          | 1.7                      | 1.6                       | 3.3                            |
| 2014             | 5,390.1               | 1.4                     | 0.7                          | 2.1                      | 2.0                       | 4.1                            |
| 2015             | 2,257.3               | 3.3                     | 1.6                          | 4.8                      | 5.2                       | 10.1                           |
| <b>Projected</b> |                       |                         |                              |                          |                           |                                |
| 2016             | 1,593.0               | 3.8                     | 2.2                          | 6.1                      | 7.0                       | 13.1                           |
| 2017             | 1,796.4               | 3.5                     | 1.7                          | 5.2                      | 5.9                       | 11.1                           |
| 2018             | 2,021.0               | 3.1                     | 1.5                          | 4.7                      | 5.0                       | 9.7                            |
| 2019             | 2,130.0               | 2.9                     | 1.3                          | 4.2                      | 4.4                       | 8.7                            |
| 2020             | 2,111.3               | 2.4                     | 1.3                          | 3.8                      | 4.3                       | 8.0                            |
| 2021             | 2,173.3               | 2.3                     | 1.2                          | 3.6                      | 4.1                       | 7.6                            |
| 2022             | 2,131.8               | 1.9                     | 1.3                          | 3.2                      | 3.6                       | 6.7                            |
| 2023             | 2,076.5               | 2.0                     | 1.3                          | 3.3                      | 3.5                       | 6.7                            |
| 2024             | 2,060.6               | 2.0                     | 1.3                          | 3.3                      | 3.0                       | 6.3                            |
| 2025             | 2,046.1               | 1.8                     | 1.3                          | 3.1                      | 2.5                       | 5.6                            |

(1) Unrestricted revenue projection for FY 2016 -2025 is based on Fall 2015 Revenue Source Book. Debt Service is based on June 30, 2015 balances, not adjusted for cash defeasances.

Source: State of Alaska.

## **STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES**

### **General**

The State, through the Department of Administration (“DOA”), administers five retirement systems, a healthcare trust, a deferred compensation plan and a supplemental annuity plan. The two largest retirement systems are the Public Employees’ Retirement System (“PERS”) and the Teachers’ Retirement System (“TRS”). Smaller systems are the Alaska National Guard and Naval Militia Retirement System (“NGNMRS”) and the Judicial Retirement System (“JRS”). The fifth system, the smallest, is the Elected Public Officers Retirement System (“EPORS”), which provides benefits to elected officials who served in 1976.

PERS and TRS each had funding ratios in excess of 100 percent (i.e., were “overfunded”) as recently as 2001. Since that time, as a result of investment losses, recalibration of other post-employment benefit (“OPEB”) liabilities and changes in actuarial assumptions and valuation methodologies, PERS and TRS each has had an unfunded accrued actuarial liability (a “UAAL”) and increasing actuarially determined employer contribution rates. The NGNMRS and JRS, although much smaller systems, also had UAALs until May 2008, when the Legislature made additional contributions in amounts calculated to eliminate the entire UAAL of both the NGNMRS and JRS as of June 30, 2006. The NGNMRS has been fully funded since June 30, 2010. Despite the additional funding in 2008 the JRS system has continued to have a UAAL through June 30, 2014. The State maintains EPORS as a cash-funded, pay-as-you go arrangement and pays benefits each year as they arise. No assets are set aside to pay EPORS benefit costs.

In January 2016, the State’s actuary provided a draft June 30, 2015 valuation for PERS and TRS. The valuation has not been adopted by the ARM Board. Accordingly the valuation may be adjusted. However, the draft valuation demonstrates the benefit of the \$3 billion transfer into the retirement systems in FY 2015 as well as some favorable actuarial adjustments. The draft June 30, 2015 valuation was reviewed at the February 18, 2016 Alaska Retirement Management Board meeting. The draft valuation produces a PERS pension funding level of 67% and Other Post-Employment Benefits funding level of 98.5%, and a total funding level of 78.2%, and a TRS pension funding level of 76.9% and Other Post-Employment Benefits funding level of 100.3%, and a total funding level of 83.3% as reflected in Table 11.

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Table 11

**Draft Actuarial Valuation Report<sup>(1)</sup>  
As of June 30, 2015**

| Funded Status as of June 30 (\$'s in 000's)              | PERS                |                     | TRS                |                    |
|--|---------------------|---------------------|--------------------|--------------------|
|  | 2014                | 2015                | 2014               | 2015               |
| <b>Defined Benefit ("DB") – Pension</b>                  |                     |                     |                    |                    |
| a. Actuarial Accrued Liability                           | \$12,947,759        | \$13,337,929        | \$6,921,362        | \$7,051,984        |
| b. Valuation Assets                                      | 7,731,438           | 8,931,160           | 3,771,139          | 5,422,651          |
| c. Funded Ratio based on Valuation Assets, (b) ÷ (a)     | 59.7%               | 67.0%               | 54.5%              | 76.9%              |
| <b>DB – Healthcare</b>                                   |                     |                     |                    |                    |
| a. Actuarial Accrued Liability                           | \$7,949,613         | \$7,350,183         | \$2,919,670        | \$2,677,381        |
| b. Valuation Assets                                      | 6,913,160           | 7,242,299           | 2,248,135          | 2,686,272          |
| c. Funded Ratio based on Valuation Assets, (b) ÷ (a)     | 87.0%               | 98.5%               | 77.0%              | 100.3%             |
| <b>DB – Total</b>  |                     |                     |                    |                    |
| a. Actuarial Accrued Liability                           | <b>\$20,897,372</b> | <b>\$20,688,112</b> | <b>\$9,841,032</b> | <b>\$9,729,365</b> |
| b. Valuation Assets                                      | <b>14,644,598</b>   | <b>16,173,459</b>   | <b>6,019,274</b>   | <b>8,108,923</b>   |
| c. Funded Ratio based on Valuation Assets, (b) ÷ (a)     | <b>70.1%</b>        | <b>78.2%</b>        | <b>61.2%</b>       | <b>83.3%</b>       |
| <b>Defined Contribution Retirement ("DCR") – Pension</b> |                     |                     |                    |                    |
| a. Actuarial Accrued Liability                           | \$3,627             | \$5,309             | \$23               | \$29               |
| b. Valuation Assets                                      | 14,995              | 19,014              | 2,820              | 3,114              |
| c. Funded Ratio based on Valuation Assets, (b) ÷ (a)     | 413.4%              | 358.1%              | 12260.9%           | 10737.9%           |
| <b>DCR – Healthcare</b>                                  |                     |                     |                    |                    |
| a. Actuarial Accrued Liability                           | \$50,217            | \$58,683            | \$16,273           | \$19,768           |
| b. Valuation Assets                                      | 26,466              | 44,188              | 10,791             | 17,733             |
| c. Funded Ratio based on Valuation Assets, (b) ÷ (a)     | 52.7%               | 75.3%               | 66.3%              | 89.7%              |
| <b>DCR – Total</b>                                       |                     |                     |                    |                    |
| a. Actuarial Accrued Liability                           | <b>\$53,844</b>     | <b>\$63,992</b>     | <b>\$16,296</b>    | <b>\$19,797</b>    |
| b. Valuation Assets                                      | <b>41,461</b>       | <b>63,202</b>       | <b>13,611</b>      | <b>20,847</b>      |
| c. Funded Ratio based on Valuation Assets, (b) ÷ (a)     | <b>77.0%</b>        | <b>98.8%</b>        | <b>83.5%</b>       | <b>105.3%</b>      |

(1) The FY 2015 actuarial valuation has not been adopted by the ARM Board..

Source: Draft Actuarial Valuation Report as of June 30, 2015

## The ARM Board

The Alaska Retirement Management ("ARM") Board is the fiduciary for funds of three of the retirement systems: PERS, TRS and the NGNMRS and has investment oversight of all of the systems. The ARM Board's mission is to serve as the trustee of the assets of the State's retirement systems, the supplemental annuity plan, the deferred compensation program for State employees and the Retiree Healthcare Trusts (for the PERS, TRS, JRS, and the Retiree Health Fund).

## Administration of the Systems

The Commissioner of the DOA or the Commissioner's designee is the administrator, and the Attorney General is the legal counsel, for each of the State's retirement systems. The Treasury Division of the DOR provides investment and cash management services, together with 55 external money managers and consultants, for the ARM Board and for each of the retirement systems and healthcare trusts.

## Valuation Reports

PERS and TRS are funded by a combination of mandatory employee contributions at rates that are determined by statute, investment income and employer contributions at rates adopted by the ARM Board based upon recommendations of the consulting actuary in its valuation reports. State law limits PERS and TRS contribution rates and statutes provide that the State contribute additional amounts up to the actuarial determined contribution rate. State law requires that actuarial valuation reports be prepared annually for PERS and TRS and that the work of the actuary be reviewed by a second, independent actuary. State law

requires in addition that every four years a different independent actuary be retained to conduct a separate, complete valuation for comparison purposes.

**Employer Contribution Rates.** Employer contribution rates are adopted by the ARM Board and are based upon State law, administrative regulations and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Employer rates represent a percentage of payroll based upon (i) the normal cost (a uniform rate for all employers within a specific pension program (e.g., PERS and TRS) calculated to reflect the cost of benefits accruing in the applicable FY, less the value of the employees' contributions during that year, plus (ii) the past service cost (amortization of the UAAL over the remaining amortization period). The PERS employer rate is set by law at 22 percent; the TRS employer rate is set by law at 12.56 percent. If the actually determined employer contribution rate adopted by the ARM Board to fund the plans exceeds these established rates, the State shall annually consider appropriating an amount, when combined with the total employer contributions, sufficient to pay the plans' past service liability for that FY.

**Employee Contributions.** Employee contributions are established by statute and vary for each program and for tiers within a program. If statutorily available, employees may also make additional, voluntary contributions, which are accounted for separately.

### **The Public Employees Retirement System**

**General.** PERS, formed in 1961, is the largest of the State's retirement systems with 160 employers comprising three State entities, 78 municipalities, 53 school districts and 27 other public entities. The three State entities represent approximately 50 percent of active PERS members. PERS is a cost-sharing, multiple employer plan composed of both a defined benefit ("DB") plan and a defined contribution ("DC") plan. Membership in either plan is dependent upon the participant date of hire. The PERS DB plan was closed to all new members effective July 1, 2006.

At June 30, 2015, the PERS DB membership consisted of 17,988 active members and 32,045 retirees and beneficiaries and the PERS DC membership consisted of 17,456 active members. PERS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1, 2 and 3) and defined contribution (Tier 4) plans. PERS also provides a voluntary savings plan for the DB tiers and beginning in FY 2007 is funding costs of healthcare benefits through the separate Retiree Healthcare Trust within PERS. Membership in PERS is mandatory for all full- and part-time (15-30 hours per week) employees of the State and of the other participating governmental employers (other than employees exempted by statute or employer participation agreements or who belong to another of the State's retirement systems).

Participants first hired before July 1, 1986 are Tier 1 participants of PERS and are eligible for retirement and for health insurance premiums paid by PERS earlier than members hired after June 30, 1986 (Tier 2). Members first hired after June 30, 1996 (Tier 3) have a 10-year requirement for system-paid premiums, and members who are not peace officer/firefighter members have a different final average earnings calculation than members from Tiers 1 and 2.

**Shift to Defined Contribution Plan.** In 2005, the Legislature closed the PERS DB plan to members first hired on or after July 1, 2006 and created for Tier 4 employees a DC retirement plan, which is composed of a participant-directed investment account, retiree major medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The PERS DC participant account is funded with employee contributions of 8 percent and an employer match of 5 percent. Each participant designates how both employee and employer contributions (regardless of vesting status) are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 12:

**Table 12****PERS DC Vesting Schedule**

| <u>Years of Service</u> | <u>Vested Percentage of Employer Contributions</u> |
|-------------------------|--|
| 1 year                  | 0%   |
| 2 years                 | 25%  |
| 3 years                 | 50%  |
| 4 years                 | 75%  |
| 5 years                 | 100%   |

Source: State of Alaska, Division of Retirement & Benefits

**Employee Contributions.** The PERS DB member contribution rates are 7.5 percent for peace officers and firefighters, 9.6 percent for certain school district employees, and 6.75 percent for general members, as required by statute. The DB member contributions earn interest at the rate of 4.5 percent per annum, compounded semiannually.

The PERS DC Plan member contribution rate is 8.0 percent, as required by statute.

**Employer Contributions.** The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 39.35.255(a) sets the employer contribution rate at 22.0 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined contribution rate and the statutory employer effective rate is paid by the State as a direct appropriation.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Major Medical Plan, Occupational Death and Disability Plan, and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations, and the actuary's recommended employer contribution rates based upon results of the actuary's valuations. Table 13 provides a seven year history of the employer contribution rates.

**Table 13****PERS Employer Contribution Rates**

| FY                  | ARM Board Adopted Rate | DB Employer Effective Rate | DC Employer Match | DC Retiree Medical Plan | DC Occupational Death and Disability - Police/Fire | DC Occupational Death and Disability – All Others | DC Health Reimbursement Arrangement <sup>(1)</sup> |
|---------------------|------------------------|----------------------------|-------------------|-------------------------|--|---|--|
| 2009                | 35.22%                 | 22.00%                     | 5.00%             | 0.99%                   | 1.33%  | 0.58%   | \$ 1,616.81  |
| 2010                | 27.65%                 | 22.00%                     | 5.00%             | 0.83%                   | 1.33%  | 0.30%   | \$ 1,699.71  |
| 2011                | 27.96%                 | 22.00%                     | 5.00%             | 0.55%                   | 1.18%  | 0.31%   | \$ 1,720.70  |
| 2012                | 33.49%                 | 22.00%                     | 5.00%             | 0.51%                   | 0.97%  | 0.20%   | \$ 1,778.09  |
| 2013                | 35.84%                 | 22.00%                     | 5.00%             | 0.48%                   | 0.99%  | 0.14%   | \$ 1,848.43  |
| 2014                | 35.68%                 | 22.00%                     | 5.00%             | 0.48%                   | 1.14%  | 0.22%   | \$ 1,896.60  |
| 2015 <sup>(2)</sup> | 44.03%                 | 22.00%                     | 5.00%             | 1.66%                   | 1.06%  | 0.22%   | \$ 1,960.53  |

(1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.

(2) Table 13 shows the ARMB adopted rate for FY2015 based on a level dollar amortization. The actual contribution for FY2015 was the one-time transfer of \$3 billion from the Constitutional Budget Reserve Fund (\$1 billion to PERS and \$2 billion to TRS) discussed in "Recent Pension Reforms."

Source: State of Alaska Division of Retirement and Benefits.

**Contributions from the State of Alaska.** AS 39.35.280 provides that the State is obligated to annually consider appropriating to contribute each July 1 or, as soon after July 1 as funds become available, an amount for the ensuing FY that, when combined with the total employer contribution rate of 22 percent, is sufficient to pay the PERS DB past service liability at the consolidated actuarially determined contribution (“ADC”) adopted by the ARM Board for the FY. Table 14 provides a seven year history of the PERS contributions from the State under AS 39.35.280. For FY 2015 the State total contribution to PERS was a one-time payment of \$1 billion. For FY 2016 the Alaska Retirement Management Board has adopted a PERS contribution rate attributable to participating employers at 27.19%. This results in employer contributions of \$535,998,000 and an additional State contribution under AS 39.35.280 of \$126,521,000.

**Table 14**  
**PERS Contribution from the State (under AS 39.35.280)**

| <u>FY</u> | <u>Legislative Bill</u> | <u>Amount Provided by<br/>State under<br/>AS 39.35.280 (\$000s)</u> | <u>Total Employer<br/>Contributions to<br/>PERS DB (\$000s)</u> | <u>% of Contributions<br/>made by State (1)</u> |
|-----------|-------------------------|---|---|---|
| 2008      | Senate Bill 53          | \$185,000   | \$549,078   | 33.69%  |
| 2009      | House Bill 310          | 241,600   | 649,052   | 37.22%  |
| 2010      | House Bill 81           | 107,953   | 500,300   | 21.58%  |
| 2011      | House Bill 300          | 165,841   | 566,450   | 29.28%  |
| 2012      | House Bill 108          | 242,609   | 648,548   | 37.41%  |
| 2013      | House Bill 284          | 307,302   | 717,268   | 42.84%  |
| 2014      | House Bill 65           | 312,473   | 723,456   | 43.19%  |

(1) Percent of Contributions made by State under AS 39.35.280.

Source: State of Alaska Division of Retirement and Benefits.

**Pension Benefits.** PERS DB members are eligible for normal retirement at age 55 or early retirement at age 50 (Tier 1) or normal retirement at age 60 and early retirement at age 55 (for Tiers 2 and 3), in each case with at least five years of paid-up PERS service or other qualifying service. Members may retire at any age when they have at least 30 years of paid-up service.

PERS DC members are immediately and fully vested in member 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.

**Other Post-Employment Benefits.** PERS pays the premium for healthcare benefits for all Tier 1 retirees, for Tier 2 retirees who are at least 60, and for Tier 3 retirees with ten years of credited service. Retirees in Tiers 1, 2, and 3 with 30 years of service (20 years for Tier 1 peace officers and firefighters and 25 years for other peace officers and firefighters) receive benefits with premiums paid by PERS regardless of their age or Tier. For Tier 4 retirees who are eligible for Medicare, PERS pays a portion (70-90 percent of the cost, depending upon length of service) of health insurance premiums.

PERS DC members are eligible for major medical benefits through the retiree medical plan after certain requirements have been met. In addition, PERS DC members have access to a health reimbursement arrangement plan and Occupational Death and Disability Benefits.

**Actuarial Valuation – PERS DB.** 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. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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 FY 2014 contribution requirements were determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses and other changes. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the DC plan. The amortization period is set by the ARM Board. Contribution rates are recommended by the actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board; however, they have not historically done so.

The most recent funding objective of the plan, as adopted by the ARM Board for FY 2015, is to set a contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll dollar amortization. Subsequent to the ARM Board's adoption of the contribution rate for FY 2015 the Legislature provided for one-time deposits of \$1 billion to PERS and \$2 billion to TRS in the FY 2015 capital budget, and amended statutes to require a percentage of payroll method for determining contributions in the future.

Table 15 presents a summary of the funding status of PERS as a whole, including pension and post-employment healthcare benefits combined, as of June 30, 2003 through 2014. The information presented in Table 15 is derived from the 2014 PERS Valuation Report and differs from the information about PERS prepared for accounting purposes.

**Table 15**  
**PERS Funding Status (1)**  
(as of June 30)

| Actuarial<br>Valuation Year | Aggregate<br>Accrued Liability<br>(000s) | Valuation of<br>Assets (000s) | Unfunded Liability<br>(000s) | Funded Ratio<br>(%) |
|-----------------------------|--|-------------------------------|------------------------------|---------------------|
| 2003                        | \$ 10,561,653                            | \$ 7,687,281                  | \$ 2,874,372                 | 72.8%               |
| 2004 (2)                    | 11,443,916                               | 8,030,414                     | 3,413,502                    | 70.2                |
| 2005                        | 12,844,841                               | 8,442,919                     | 4,401,922                    | 65.7                |
| 2006                        | 14,388,413                               | 9,040,908                     | 5,347,505                    | 62.8                |
| 2007 (3)                    | 14,570,933                               | 9,900,960                     | 4,669,973                    | 68.0                |
| 2008                        | 15,888,141                               | 11,040,106                    | 4,848,035                    | 69.5                |
| 2009                        | 16,579,371                               | 10,242,978                    | 6,336,393                    | 61.8                |
| 2010                        | 18,132,492                               | 11,157,464                    | 6,975,028                    | 61.5                |
| 2011                        | 18,740,550                               | 11,813,774                    | 6,926,776                    | 63.0                |
| 2012                        | 19,292,361                               | 11,832,030                    | 7,460,331                    | 61.3                |
| 2013                        | 19,992,759                               | 12,162,626                    | 7,830,133                    | 60.8                |
| 2014                        | 20,897,372                               | 14,644,598                    | 6,252,774                    | 70.1                |

See Recent Pension Reform section for actuarial projection as of June 30, 2015

(1) For PERS Tiers I-III and pension and other post-employment benefits combined.

(2) Change in valuation assumptions (particularly the healthcare cost assumptions) and change in methods.

(3) Tier 4, the PERS defined contribution plan, became effective for employees first hired after June 30, 2006 when the defined benefit plans were closed. Change in healthcare cost assumptions.

Source: 2014 PERS Valuation Report, Section 1.7.

Table 16 presents the Schedule of Contributions from Employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ADC contributed by employers and by the State (under AS 39.35.280).

**Table 16**  
**PERS Schedule of Contributions from Employers and the State**  
(as of June 30)

| Year<br>Ended<br>June 30 | Actuarial<br>Valuation year<br>ended June 30 (1) | <u>Annual required contribution</u> |                                     |              | <u>Pension percentage<br/>contributed</u> |             |                                    | <u>Postemployment<br/>healthcare<br/>percentage contributed</u> |             |                                    |
|--------------------------|--|-------------------------------------|-------------------------------------|--------------|---|-------------|------------------------------------|---|-------------|------------------------------------|
|                          |  | Pension<br>(000s)                   | Postemployment<br>healthcare (000s) | Total (000s) | By<br>employer                            | By<br>State | Total<br>Percentage<br>contributed | By<br>employer  | By<br>State | Total<br>Percentage<br>contributed |
|                          |  |                                     |                                     |              |   |             |                                    |   |             |                                    |
| 2005                     | 2002   | \$ 234,361                          | \$ 142,393                          | \$ 376,754   | 47.3%                                     | —%          | 47.3%                              | 47.3%   | —%          | 47.3%                              |
| 2006                     | 2003   | 249,488                             | 166,749                             | 416,237      | 61.0                                      | 4.4         | 65.4                               | 61.0  | 4.4         | 65.4                               |
| 2007                     | 2004   | 268,742                             | 189,495                             | 458,237      | 73.2                                      | 4.1         | 77.3                               | 73.2  | 4.1         | 77.3                               |
| 2008                     | 2005   | 140,729                             | 370,456                             | 511,185      | 71.2                                      | 36.2        | 107.4                              | 71.2  | 36.2        | 107.4                              |
| 2009                     | 2006   | 166,016                             | 391,321                             | 557,337      | 68.1                                      | 48.0        | 116.1                              | 68.1  | 41.4        | 109.5                              |
| 2010 (2)                 | 2007   | 217,080                             | 790,793                             | 1,007,873    | 65.5                                      | 20.5        | 86.0                               | 31.6  | 54.8        | 86.4                               |
| 2011                     | 2008   | 220,419                             | 525,075                             | 745,494      | 63.1                                      | 29.6        | 92.7                               | 49.8  | 21.6        | 71.4                               |
| 2012                     | 2009   | 351,674                             | 498,433                             | 850,107      | 52.0                                      | 37.2        | 89.2                               | 44.8  | 28.8        | 73.6                               |
| 2013                     | 2010   | 382,889                             | 612,792                             | 995,681      | 47.0                                      | 42.9        | 89.9                               | 37.5  | 25.1        | 62.6                               |

(1) Actuarial valuation related to annual required contribution for FY.

(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.

Source: PERS Financial Statement as of June 30, 2014.

With implementation of GASB 67, information as presented in Table 16 is no longer provided in the PERS financial statements. The annual actuarially determined contribution (ADC) for pension for FY 2013 was \$382,889,000, FY 2014 was \$358,718,000 and for FY 2015 was \$529,264,000. The contributions in relation to the ADC for FY 2013 was \$344,063,000 FY 2014 was \$382,998,000, and FY 2015 was \$1,226,136,000, \$38,826,000 less than the ADC in FY 2013 and \$24,280,000 and \$696,872,000 more than the ADC in FY 2014 and 2015 respectively. Postemployment healthcare contributions in FY 2014 for the actuarial valuation year ended June 30, 2011 were \$783,827,000 of which 26.1% was paid by employers and 19.5% was paid by the State for a total percentage contributed of 45.6%.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include 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. Additional information as of the latest actuarial valuation follows.

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|                                       |   |
|---------------------------------------|---|
| Valuation Date                        | June 30, 2014   |
| Actuarial Cost Method                 | Entry Age Normal<br>Level Percentage of Pay normal cost basis for Pension<br>Level Dollar normal cost basis for Healthcare  |
| Amortization Method                   | Level percentage of pay, closed   |
| Equivalent Single Amortization Period | 25 years  |
| Asset Valuation Method                | 5-year smoothed fair value, reinitialized to fair value as of June 30, 2014   |
| Actuarial Assumptions:                |   |
| Investment rate of return*            | 8.00% for pension, 4.90% for healthcare.  |
| Projected salary increases            | Peace Officer/Firefighter: Merit – 2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter.<br>Productivity – 0.5% per year.<br>Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0%.<br>Productivity – 0.5% per year. |
| *Includes price inflation at          | 3.12%   |
| Cost-of-living adjustment             | Post-retirement Pension Adjustment.   |

**Changes in Actuarial Assumptions Since the Prior Valuation.** The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the PERS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2014 actuarial valuation. There have been no changes in methodology since the June 30, 2014 valuation.

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Defined benefit pension and postemployment healthcare benefit plan:

|                                   | <b>June 30, 2013</b>   | <b>June 30, 2014</b>   |
|-----------------------------------|--|--|
| Salary Scale                      | Based on actual experience from 2005 to 2009.  | Rates adjusted on actual experience from 2010-2013. Increased most rates.  |
| Pre-termination Mortality         | Peace Officer/Firefighter:<br>1994 GAM table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA, 80% of the male table for males and 60% of the female table for females.<br>Others: 1994 GAM table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA, 75% of the male table for males and 55% of the female table for females. | Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post termination mortality rates                                  |
| Post-termination Mortality        | 1994 GAM Table, sex-district, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.   | 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.  |
| Disability Mortality              | RP-2000 Disabled Retiree Mortality Table.  | RP-2000 Disabled retiree table, 2000 base year projected to 2018 with projection scale BB.   |
| Turnover                          | Rates adjusted based on actual experience from 2005-2009.  | Based upon the 2010-2013 actual withdrawal experience.   |
| Disability                        | Peace Officer/Firefighter: No change except to stop rates at earliest retirement age.<br>Others: Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.   | Incidence rates based on 2010-2013 actual experience.<br>Peace officer/firefighter: Decreased rates by 5%.<br>Others: Decreased rates by 30%.                        |
| Retirement                        | Rates were adjusted based on actual experience from 2005 to 2009.  | Retirement rates based upon the actual 2010-2013 experience.   |
| Deferred vested commencement date | Peace officer/firefighter:<br>Tier 1 age 53<br>Tier 2 and 3 age 57<br>Others:<br>Earliest unreduced age  | Peace officer/firefighter:<br>Tier 1 age 55<br>Tier 2 and 3 age 60<br>Others:<br>Earliest unreduced age  |
| COLA                              | Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA.   | Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA. |
| Occupational Death and Disability | Others: 55%<br>Peace officer/firefighters: 75%   | Others: 50%<br>Peace officer/firefighters: 70%   |

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Defined contribution occupational death and disability and retiree medical benefits plan:

|                                   | June 30, 2013   | June 30, 2014   |
|-----------------------------------|---|---|
| Salary Scale                      | Based on actual experience from 2005-2009.<br>Peace officer/firefighter: rates are increased for the first four years. Decreased at year five.<br>Others: Based on actual experience from 2005-2009. Increased most rates.  | Inflation – 3.12% per year<br>Productivity – 0.50% per year   |
| Pre-termination Mortality         | Peace Officer/Firefighter: 80% of the male rates and 60% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA.<br>Others: 75% of the male rates and 55% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA. | Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post termination mortality rates.<br>Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others.  |
| Post-termination Mortality        | 1994 GAM Table, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.  | 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.   |
| Disability                        | RP-2000 disabled retiree mortality table.   | Incidence rates based on 2010-2013 actual experience. Post termination disabled mortality in accordance with RP-2000 disabled retiree mortality table, 2000 base year projected to 2018 with projection scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others. |
| Turnover                          | Rates adjusted based on actual PERS DB Plan experience from 2005-2009. Ultimate rates are equal to PERS DB Plan rates loaded by 10%.  | Based upon the 2010-2013 actual withdrawal experience.  |
| Occupational Death and Disability | Others: 55%<br>Peace officer/firefighters: 75%  | Others: 50%<br>Peace officer/firefighters: 70%  |

## Teachers' Retirement System

**General.** TRS was established in 1955 to provide pension and other post-employment benefits to teachers and other eligible participants. TRS includes 58 employers (including the 53 school districts). TRS is a cost-sharing, multiple employer plan composed of both a defined benefit (“DB”) plan and a defined contribution (“DC”) plan. Membership in either plan is dependent upon the participant date of hire. The TRS DB plan is closed to all new members effective July 1, 2006.

At June 30, 2015 the TRS DB membership consisted of 5,606 active members and 12,080 retirees and beneficiaries and the TRS DC membership consisted of 4,076 active members. TRS provides pension and other post-employment benefits, death and disability benefits prior to retirement and death benefits and survivor benefits after retirement, in a combination of defined benefit (Tiers 1 and 2) and defined contribution (Tier 3) plans. TRS also funds costs of healthcare benefits through the separate Retiree Healthcare Trust within TRS. Membership in TRS is mandatory for all full- and part-time employees, including employees who are certificated elementary and secondary teachers, school nurses and certificated employees in positions requiring teaching certificates, employees in Department of Education and Early Development and Department of Labor and Workforce Development positions that require teaching certificates, University of Alaska full- and part-time teachers and with the approval of the TRS

administrator, full-time administrative employees in positions requiring academic standing and certain full-time or part-time teachers of Alaska Native language or culture who elect to be covered under TRS.

Participants first hired before July 1, 1990 are Tier 1 participants of TRS and are eligible for retirement and for health insurance premiums paid by TRS earlier than members hired after July 1, 1990 (Tier 2).

**Shift to Defined Contribution Plan.** In 2005, the Legislature closed the TRS DB plan to members first hired on or after July 1, 2006 and created for Tier 3 employees a DC retirement plan which is composed of a participant-directed investment account, medical benefits, a health reimbursement arrangement, and occupational disability and death benefits.

The TRS DC participant account is funded with employee contributions of 8 percent and an employer match of 7 percent. Each participant designates how contributions are to be allocated among various investment options. Participants are 100 percent vested in their employee contribution and related earnings. Employer contributions to the participant account, plus any earnings they generate are vested as shown in the following Table 17:

**Table 17**

**TRS DC Vesting Schedule**

| <u>Years of Service</u> | <u>Vested Percentage of Employer Contributions</u> |
|-------------------------|--|
| 1 year                  | 0%   |
| 2 years                 | 25%  |
| 3 years                 | 50%  |
| 4 years                 | 75%  |
| 5 years                 | 100%   |

*Source: State of Alaska, Division of Retirement & Benefits*

**Employee Contributions.** The TRS DB member contribution rates are 8.65 percent as required by statute. Eligible TRS DB members contribute an additional 1.00 percent of their salary under a supplemental contribution provision. The DB member contributions earn interest at the rate of 7.0 percent per annum, compounded annually on June 30.

The TRS DC member contribution rate is 8.0 percent, as required by statute.

**Employer Contributions.** The employer contribution rate is determined by the consulting actuary and adopted by the ARM Board annually. AS 14.25.070(a) sets the employer contribution rate at 12.56 percent. The employer contribution rate is paid based on all eligible salaries of the employer without regard to the participant's tier status. The difference between the actuarially determined contribution rate and the statutory employer effective rate is paid by the State as a direct appropriation.

Employer contributions made on behalf of DC members also include funding of the DC Retiree Major Medical Plan, Occupational Death and Disability Plan, and the Health Reimbursement Arrangement. DC employer contribution rates are determined by the ARM Board and are based upon State law, administrative regulations, and the actuary's recommended employer contribution rates based upon results of the actuary's valuations.

Table 18 provides a history of the employer contribution rates from FY 2008 through 2015.

**Table 18 TRS Employer Contribution Rates**

| FY       | ARM Board Adopted Rate | Employer Effective Rate | DC Employer Match | DC Retiree Medical Plan | DC Occupational Death and Disability | DC Health Reimbursement Arrangement (1) |
|----------|------------------------|-------------------------|-------------------|-------------------------|--------------------------------------|---|
| 2008     | Varied                 | 12.56%                  | 7.00%             | 0.99%                   | 0.62%                                | \$1,531.27                              |
| 2009     | 44.17%                 | 12.56%                  | 7.00%             | 0.99%                   | 0.62%                                | 1,616.81                                |
| 2010     | 39.53%                 | 12.56%                  | 7.00%             | 1.03%                   | 0.32%                                | 1,699.71                                |
| 2011     | 38.56%                 | 12.56%                  | 7.00%             | 0.68%                   | 0.28%                                | 1,720.70                                |
| 2012     | 45.55%                 | 12.56%                  | 7.00%             | 0.58%                   | 0.00%                                | 1,778.09                                |
| 2013     | 52.67%                 | 12.56%                  | 7.00%             | 0.49%                   | 0.00%                                | 1,848.43                                |
| 2014     | 53.62%                 | 12.56%                  | 7.00%             | 0.47%                   | 0.00%                                | 1,896.60                                |
| 2015 (2) | 70.75%                 | 12.56%                  | 7.00%             | 2.04%                   | 0.00%                                | 1,960.53                                |

- (1) The employer contribution to the Health Reimbursement Arrangement is expressed as a dollar amount that must be paid in full on an annual basis for each year of service.
- (2) Table 18 shows the ARMB adopted rate for FY2015 based on a level dollar amortization. The actual contribution for FY2015 was the one-time transfer of \$3 billion from the Constitutional Budget Reserve Fund (\$1 Billion to PERS and \$2 Billion to TRS) discussed in "Recent Pension Reforms."

Source: State of Alaska Division of Retirement and Benefits.

**Contributions from the State.** AS 14.25.085 provides that the State is obligated to annually consider appropriating to contribute each July 1 or, as soon after July 1 as funds become available, an amount for the ensuing FY that, when combined with the total employer contribution rate of 12.56 percent, is sufficient to pay the DB past service liability at the consolidated ADC adopted by the ARM Board for the FY.

Table 19 provides a history of the TRS contributions from the State under AS 14.25.085 from FY 2008 through 2014. For FY 2015 the State total contribution to TRS was a one-time payment of \$2 billion. For FY 2016 the ARM Board has adopted a TRS contribution rate attributable to participating employers at 29.27%. This results in employer contributions of \$97,789,000 and an additional State contribution under AS 14.25.085 of \$130,108,000.

**Table 19**  
**TRS Contribution from the State (under AS 14.25.085)**

| FY   | Legislative Bill | Amount Provided by State under AS 14.25.085 (\$000s) | Total Employer Contributions to TRS DB Plan (\$000s) | % of Contributions made by State (1) |
|------|------------------|--|--|--------------------------------------|
| 2008 | Senate Bill 53   | \$269,992  | \$345,002  | 78.26%                               |
| 2009 | House Bill 310   | 206,300  | 292,428  | 70.55%                               |
| 2010 | House Bill 81    | 173,462  | 249,956  | 69.40%                               |
| 2011 | House Bill 300   | 190,850  | 266,871  | 71.51%                               |
| 2012 | House Bill 108   | 234,517  | 308,987  | 75.90%                               |
| 2013 | House Bill 284   | 302,777  | 375,442  | 80.65%                               |
| 2014 | House Bill 65    | 316,846  | 386,397  | 82.00%                               |

- (1) Percent of Contributions made by State under AS 14.25.085.

Source: State of Alaska Division of Retirement and Benefits.

**Pension Benefits.** Tier 1 members were hired before July 1, 1990 and are eligible for normal retirement at age 55 or for early retirement at age 50, and Tier 2 members were hired after June 30, 1990 and before July 1, 2006 and are eligible for normal retirement at age 60 and for early retirement at 55, and generally with at least eight years of paid-up membership service or other qualifying service. Members may retire at any age when they have at least 20 years of paid-up membership service or 20-25 years of a combination of paid-up membership service and other types of service. TRS members are also eligible for

normal retirement if they have, for each of 20 school years, at least one-half year of membership service as a part-time teacher.

Tier 3 employees were hired after June 30, 2006 and are 100 percent vested in their own contributions from the beginning and vest in their employers' seven-percent contributions over five years: 25 percent after two years of service, 50 percent after three years of service, 75 percent after four years of service and 100 percent after five years of service. Tier 3 pension payments (the account balance plus investment income) are payable in a lump sum or over time at the employee's option.

**Other Post-employment Benefits.** Tier 1 members who are at least 50 or who are any age with at least 20 years of paid-up service receive healthcare benefits and Tier 2 members who are 60 or older or who have 25 years of paid-up membership service or are disabled also receive healthcare benefits with system-paid premiums. Tier 2 members may receive coverage prior to age 60 if they pay the premiums. Medical benefits are supplemental to Medicare. For both Tier 1 and Tier 2, coverage includes coverage for eligible dependents.

For Tier 3, the TRS healthcare plan is a coinsurance major medical and prescription drug plan intended to maintain over time coinsurance levels at approximately 80 percent by the plan and 20 percent by the participant, with a maximum annual coinsurance payable by the participant of \$2,500 per person and a maximum lifetime benefit payable by the plan, less any amounts paid by Medicare.

**Actuarial Valuation – TRS DB.** 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. Examples include assumptions about future employment, mortality and healthcare cost trends. 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 FY 2014 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent assumption changes and gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the System, including those hired after July 1, 2006 who are in the Defined Contribution Retirement Plan. The amortization period is set by the ARM Board. Contribution levels are recommended by the actuary and adopted by the ARM Board each year.

The Legislature has discretion to deviate from the rates recommended by the ARM Board, however, have not historically done so.

The most recent funding objective of the plan, as adopted by the ARM Board for FY 2015, was to set a contribution rate that will pay the normal cost and amortize the initial UAAL and each subsequent annual change in the UAAL over a closed 25-year period as a level percentage of payroll dollar amortization.

The information about TRS funding status included in Table 20 reflects the status of TRS as of June 30, 2012. Information about TRS assets and liabilities allocable to State employers alone is not shown because most non-State TRS employers make these contributions primarily from funds provided by the State.



**Table 20**  
**TRS Funding Status (1)**  
(as of June 30)

| Actuarial<br>Valuation Year | Aggregate Accrued<br>Liability (000s) | Valuation<br>Assets<br>(000s) | Unfunded<br>Accrued<br>Liability<br>(000s) | Funded<br>Ratio<br>(%) |
|-----------------------------|---------------------------------------|-------------------------------|--|------------------------|
| 2003                        | \$ 5,835,609                          | \$ 3,752,285                  | \$ 2,083,324                               | 64.3%                  |
| 2004 (2)                    | 6,123,600                             | 3,845,370                     | 2,278,230                                  | 62.8                   |
| 2005                        | 6,498,556                             | 3,958,939                     | 2,539,617                                  | 60.9                   |
| 2006                        | 7,229,851                             | 4,141,700                     | 3,088,151                                  | 57.3                   |
| 2007                        | 7,189,403                             | 4,424,399                     | 2,765,004                                  | 61.5                   |
| 2008                        | 7,619,178                             | 4,936,976                     | 2,682,202                                  | 64.8                   |
| 2009                        | 7,847,514                             | 4,472,958                     | 3,374,556                                  | 57.0                   |
| 2010                        | 8,847,788                             | 4,739,128                     | 4,108,660                                  | 53.6                   |
| 2011                        | 9,128,795                             | 4,937,937                     | 4,190,858                                  | 54.1                   |
| 2012                        | 9,346,444                             | 4,869,154                     | 4,477,290                                  | 52.1                   |
| 2013                        | 9,592,107                             | 4,974,076                     | 4,618,031                                  | 51.9                   |
| 2014                        | 9,841,032                             | 6,019,274                     | 3,821,758                                  | 61.2                   |

See Recent Pension Reform section for actuarial projection as of June 30, 2015

- (1) Includes pension benefits and other post-employment benefits.  
(2) Change in asset valuation method.

Source: 2014 TRS Valuation Report, Section 1.7.

Table 21 presents the schedule of contributions from employers and the State. This schedule shows the dollar amount of the annual required contribution and the percent of the ARC contributed by employers and by the State (under AS 14.25.085).

**Table 21**  
**TRS Schedule of Contributions from Employers and the State**  
(as of June 30)

| Year<br>Ended<br>June 30 | Actuarial<br>Valuation year<br>ended June 30 (1) | Annual required contribution |                                     |              | Pension percentage<br>contributed |             |                                    | Postemployment<br>healthcare<br>percentage contributed |             |                                    |
|--------------------------|--|------------------------------|-------------------------------------|--------------|-----------------------------------|-------------|------------------------------------|--|-------------|------------------------------------|
|                          |  | Pension<br>(000s)            | Postemployment<br>healthcare (000s) | Total (000s) | By<br>employer                    | By<br>State | Total<br>Percentage<br>contributed | By<br>employer   | By<br>State | Total<br>Percentage<br>contributed |
| 2005                     | 2002   | \$ 152,168                   | \$55,783                            | \$207,951    | 45.0%                             | 0.0%        | 45.0%                              | 45.0%  | 0.0%        | 45.0%                              |
| 2006                     | 2003   | 170,019                      | 66,719                              | 236,738      | 54.1                              | 0.0         | 54.1                               | 54.1   | 0.0         | 54.1                               |
| 2007                     | 2004   | 169,974                      | 76,879                              | 246,853      | 62.2                              | 0.0         | 62.2                               | 62.2   | 0.0         | 62.2                               |
| 2008                     | 2005   | 134,544                      | 185,271                             | 319,815      | 23.3                              | 82.7        | 106.0                              | 23.6   | 85.7        | 109.3                              |
| 2009                     | 2006   | 94,388                       | 164,171                             | 258,559      | 28.7                              | 110.6       | 139.3                              | 28.7   | 62.1        | 90.8                               |
| 2010 (2)                 | 2007   | 170,788                      | 312,922                             | 483,710      | 19.8                              | 58.8        | 78.6                               | 13.6   | 38.8        | 52.4                               |
| 2011                     | 2008   | 167,978                      | 167,686                             | 335,664      | 19.5                              | 65.1        | 84.6                               | 25.8   | 51.5        | 77.3                               |
| 2012                     | 2009   | 229,509                      | 192,700                             | 422,209      | 16.6                              | 68.6        | 85.2                               | 18.8   | 46.6        | 65.4                               |
| 2013                     | 2010   | 259,786                      | 330,411                             | 590,197      | 14.5                              | 80.4        | 94.9                               | 10.7   | 33.3        | 44.0                               |

(1) Actuarial valuation related to annual required contribution for FY.

(2) Beginning in the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Medicare Part D subsidy.

Source: TRS Financial Statement as of June 30, 2013.

With implementation of GASB 67, information as presented in Table 21 is no longer provided in the PERS financial statements. The annual actuarially determined contribution (ADC) for pension for FY 2013 was \$259,786,000, FY 2014 was \$240,366,000 and for FY 2015 was \$321,971,000. The contributions in relation to the ADC for FY 2013 was \$234,317,000 FY 2014 was \$246,461,000, and FY 2015 was \$1,699,074,000, \$25,469,000 less than the ADC in FY 2013 and \$6,095,000 and \$1,377,103,000 more than the ADC in FY 2014 and 2015 respectively. Postemployment healthcare contributions in FY 2014 for the actuarial valuation year ended June 30, 2011 were \$320,797,000 of which 10.0% was paid by employers and 35.6% was paid by the State for a total percentage contributed of 45.6%.

Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include 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. Additional information as of the latest actuarial valuation follows.

|                                       |  |
|---------------------------------------|--|
| Valuation Date                        | June 30, 2014  |
| Actuarial Cost Method                 | Entry Age Normal<br>Level Percentage of Pay normal cost basis for pension and healthcare |
| Amortization Method                   | Level percentage of pay, closed  |
| Equivalent Single Amortization Period | 25 years   |
| Asset Valuation Method                | 5-year smoothed fair value, reinitialized to fair value as of June 30, 2014              |
| Actuarial Assumptions:                |  |
| Investment rate of return*            | 8.00% for pension, 5.08% for healthcare  |
| Projected salary increases            | 6.11% for first 5 years of service grading down to 3.62% after 20 years                  |
| *Includes inflation at                | 3.12%  |
| Cost-of-living adjustment             | Post-retirement Pension Adjustment.  |

**Changes in Actuarial Assumptions Since the Prior Valuation.** The ARM Board contracted for an experience analysis to be performed of the actuarial assumptions underlying the TRS actuarial valuation. As a result of the experience analysis the following changes were made as of June 30, 2013 actuarial valuation. There have been no changes in actuarial method since June 20, 2013.

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|                                  | <b>June 30, 2013</b>  | <b>June 30, 2014</b>  |
|----------------------------------|---|---|
| Salary Scale                     | Based on actual experience from 2005 to 2009.   | Rates adjusted on actual experience from 2010 to 2013.  |
| Pre-termination Mortality        | The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, adjusted 45% for males, and 55% for females.             | 68% of male rates and 60% of female rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB.<br>Deaths are assumed to result from non-occupational causes 85% of the time.  |
| Post-termination Mortality       | The 1994 GAM Sex-distinct Table, 1994 Base Year projected to 2013 using Projection Scale AA, setback 3 years for females and 4-year setback for males | 94% of male rates and 97% of female rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB, with a three year setback for males and a four year setback for females.   |
| Disability Mortality             | RP-2000 Disabled Retiree Mortality Table.   | RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.  |
| Turnover                         | Rates adjusted based on actual experience from 2005 to 2009.  | Select and ultimate rates based upon the 2010-2013 actual withdrawal experience.  |
| Disability                       | Based on actual experience from 2005 to 2009.   | Retirement rates based on 2010-2013 experience. Male/female rates increased and changed to Unisex rates. Disabilities are assumed to result from occupational causes 15% of the time.   |
| Retirement                       | Based on actual experience from 2005 to 2009.   | Retirement rates based on 2010-2013 experience.   |
| Part-time Service                | 0.60 years of credited service per year.  | Part-time employees are assumed to earn 0.75 years of credited service per year.  |
| Occupational Assumption          | 0% of deaths are assumed to be from occupational causes.  | 15% of deaths are assumed to be from occupational causes.   |
| Deferred Vested Commencement Age | Earliest reduced age.   | Earliest unreduced age.   |
| Healthcare Participation         | 100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.  | 100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.<br>10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. |

## Recent Pension Reforms

In the past several years, to mitigate expected pension costs and rising employer contribution rates, the Legislature enacted a range of statutory changes to the retirement systems and to the State's approach to managing pension and OPEB costs. In 2005, the Legislature closed the PERS and TRS DB plans and to establish DC plans, each with a healthcare component, for new employees.

In 2007, the Legislature enacted Senate Bill 123, which created the Alaska Retiree Health Care Trusts (the "Retiree Healthcare Trusts"). Senate Bill 123 directed that all separately calculated employer contributions for other post-employment benefits under the DB plans and all appropriations, earnings and reserves for the payment of retiree medical obligations be credited to these separate trusts. The State received a ruling from the IRS confirming that the State could reallocate a portion of the assets of PERS and TRS to the Retiree Healthcare Trusts, which it did.

In 2008, the Legislature enacted two additional reform bills: Senate Bill 125 and the Retirement Cost Funding Act. The Retirement Cost Funding Act authorizes issuers, including the Alaska Pension Obligation Bond Corporation ("POBC"), to issue bonds and/or to enter into contracts to finance the payment by governmental employers of their share of the UAALs of the retirement systems. The Governor's budget for FY 2017 included an appropriation to the POBC in anticipation of a potential bond issuance. The proposed bonds were to be structured to realize a 90% funding level in TRS and to minimize the State's non-employer payments to the retirement system. Projected savings were to be concentrated in

the final 8 years of the amortization of the unfunded liability. On February 16, 2016, the Governor's budget was amended and the appropriation to the POBC was eliminated. At this time it is uncertain whether the POBC will be issuing bonds.

Senate Bill 125 converted PERS to a cost-sharing system, similar to TRS, and shifted to the State more of the cost of funding the UAALs of PERS and TRS. Senate Bill 125 set employer contribution rates at the higher of (i) 22 percent of total payroll for PERS and 12.56 percent of payroll for TRS and (ii) in each case, the rate required to cover the actuarially determined normal cost plus amounts required to be contributed to the DC plans' Retiree Health Care Trusts.

As proposed by the Governor, the 2014 Legislature funded a \$3 billion transfer from the State's Constitutional Budget Reserve Fund to the PERS and TRS retirement trust funds as part of a plan to manage the ongoing cost of funding the unfunded liabilities. The Legislature directed \$2 billion being transferred to the TRS trust and \$1 billion being transferred to the PERS trust in the FY 2015 capital budget. As part of the agreement for the transfer, the Legislature also approved HB 385 that provides for any excess assets at the termination of the plan be deposited in the General Fund and that the contribution rate for liquidating past service liabilities be based on a level percent of pay method based on amortization of the past service liability for a closed term of 25 years. An additional adjustment in 2014 was provided for in SB 119 which eliminated effective in FY 2015 the two year lag in actuarial analysis for rate setting. In October, 2014 the State's actuary estimated the impact of the one-time contributions and programmatic adjustments to increase the PERS projected June 30, 2015 funding ratio to 71.8% and the projected 2015 TRS funding ratio to 77.0%. This estimate was updated in the January 2016 draft valuation to a PERS June 30, 2015 funding ratio of 78.2% and the 2015 TRS funding ratio of 83.3%

## **The Other Retirement Systems**

**The Alaska National Guard and Alaska Naval Militia Retirement System.** The NGNMRS was established in 1973 and includes members of the Alaska National Guard and members of the Alaska Naval Militia. Members receive voluntary retirement benefits, which do not include healthcare benefits. The Legislature made a supplemental appropriation in May 2008 of \$10 million to eliminate the June 30, 2006 NGNMRS UAAL of \$9.87 million. The total contribution for FY 2015 was \$627,300 and for FY 2013 was \$740,100.

**The Judicial Retirement System.** The JRS was established in 1963 and provides pension and other post-employment benefits to Supreme Court Justices and Superior, District and Appellate Court judges and the administrative director of the court system. In May 2008, the Legislature made a supplemental appropriation of \$49 million to eliminate the June 30, 2006 JRS UAAL. The experience following the extra appropriation has continued within the JRS with pensions funded at 65.8% representing a \$66.4 million gap and OPEB funded at 139.9% representing a \$6.9 million surplus as of June 30, 2014. The total contributions for FY 2015 as a result of HB 26 were \$0 for other postemployment benefits and \$5,241,619 for pensions. The total contributions for FY 2014 as a result of HB 65 were \$177,445 for other postemployment benefits and \$4,282,876 for pensions.

**The Elected Public Officers Retirement System.** The EPORS was enacted as a retirement system for elected State officials who held office between January 1, 1976 and October 14, 1976. As of June 30, 2014, the actuarial accrued liability was \$20.1 million, with an expected annual benefit payment and claims cost of approximately \$1.63 million. No assets are set aside to pay EPORS benefit costs.

## **State's Supplemental Benefits System**

In 1979, State employees elected to withdraw from the Social Security system. The State established a benefit program, effective January 1, 1980, which supplements the existing public employee retirement plans. Participation in the supplemental benefits system is mandatory for each State employee

and the 16 other employers participating in the supplemental benefits system. A combined employer/employee contribution of 12.26 percent of wages (one-half contributed by employees up to the wage limit in effect for Social Security in a current year) is deposited into each employee's annuity plan account. Separate contributions are allowed to a cafeteria style supplemental benefit plan to provide death, survivor, disability and health benefits.

As of June 30, 2015, the supplemental benefits system had approximately 43,800 participants. At June 30, 2015, net assets available for system benefits were \$3.4 billion. These assets are held in trust by the State for the exclusive benefit of covered employees and their beneficiaries.

### **State's Deferred Compensation Plan**

The State maintains an optional Deferred Compensation Plan (the "Plan") for the benefit of its employees. Participants under the Plan defer receipt of a portion of their salary until termination of State employment. As of June 30, 2015, the Plan had approximately 11,100 participants. As of June 30, 2015, the net assets available for Plan benefits were \$815.8 million. These assets are held in trust by the State for the exclusive benefit of the covered employees and their beneficiaries.

### **State's Annual/Personal Leave and Sick Leave**

The cost of 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 when an employee's State service is terminated. In that instance, the accumulated annual/personal leave balance is charged to a terminal leave liability account that is funded by a charge to each agency's operating budget.

## **INVESTMENT POLICIES**

### **General Fund, Constitutional Budget Reserve Fund and Other Subfunds**

By statute, the Commissioner of the DOR is the fiduciary for many of the State's funds, including the Constitutional Budget Reserve Fund, General Fund and subfunds within the General Fund, such as the Statutory Budget Reserve Fund and the Alaska Capital Income Fund. The Commissioner's responsibilities for these funds include establishing investment policy, providing accounting and custody for the assets and monitoring and reporting the performance and characteristics of the funds and investment options. The Commissioner reviews capital market assumptions and sets an appropriate asset allocation for the General Fund, the Constitutional Budget Reserve Fund and the other subfunds, consistent with each fund's objectives and constraints. As of July 1, 2015, the target asset allocation for the Statutory Budget Reserve Fund is 32 percent intermediate-term fixed income and 68 percent liquidity pool / short-term fixed income investments.

As of August 13, 2015, the target asset allocation for the General Fund is 32 percent intermediate-term fixed income and 68 percent liquidity pool / short-term fixed income investments.

As of July 1, 2015 the Constitutional Budget Reserve Fund main account, with an intermediate time horizon, has a target asset allocation of 23 percent broad-market fixed income, 70 percent short-term fixed income, 5 percent domestic equity pool and 2 percent international equity pool investments.

Annually, the Commissioner of the DOR adopts specific investment policies for each asset class. These investment policies specify asset class characteristics, monitoring requirements and risk controls. The Commissioner may revise the investment policies as market conditions warrant. The State employs industry consultants and a professional staff to assist in monitoring and evaluating investments.

## **The Permanent Fund**

A governor-appointed Alaska Permanent Fund Corporation (the “APFC”) Board of Trustees (the “APFC Board”) sets the APFC investment policy. The policy is required to be consistent with the prudent investor rule stated in AS 37.13.120, which provides: “The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the 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.”

At least once each calendar year, the APFC Board reviews its asset allocation policy for the investment of fund assets for the coming year. This review is conducted under the guidance of APFC investment staff, with the assistance and advice of the APFC Board’s investment consultant. The APFC Board’s long-term investment goal is to achieve an average annual real rate of return of five percent at acceptable risk levels (measured by expected volatility).

The APFC Board has created a three-person investment advisory council to provide the APFC Board with independent advice from professionals with significant, direct experience in the management and operation of large investment funds. The role of the members of the investment advisory council is to make recommendations to the APFC Board concerning investment policies, investment strategy and investment procedures; and provide other advice as requested by the APFC Board.

The APFC Board’s investment allocation includes multiple asset classes having varying risk and correlation assumptions. The APFC investment policy seeks to optimize expected return versus expected risk. The fund’s current target asset allocation is: 36 percent stocks, 20 percent bonds and cash, 12 percent real estate, 12 percent private equity and absolute return, 4 percent infrastructure investments, and 16 percent other investments. The APFC Board also establishes policies and guidelines for the asset classes in which fund assets are invested.

To allow for market fluctuations and to minimize transaction costs, the APFC Board has 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 APFC Board can approve operating for longer than 30 days within a third range (the “red zone”).

## **LITIGATION**

There is no controversy or litigation of any nature now pending or, to the knowledge of the State, threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the State of Alaska taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Bonds, or the existence or powers of the State.

Upon the delivery of the Bonds, the State will furnish a certificate, in form satisfactory to the Underwriters, to the effect that, among other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting the validity or enforceability of the Bonds.

At any given time, including the present, there are numerous civil actions filed by or pending against the State, which could positively or negatively impact revenue sources or cash flow. A short description of such material litigation is provided below.

## **Oil and Gas Tax Litigation**

*Administrative Litigation:* There are a number of disputed tax assessments against oil and gas corporations that are at the administrative level and thus confidential under AS 43.05.230(a). The assessments involve the corporate income tax (AS 43.20) or the oil and gas production tax (AS 43.55). Because the taxpayers, the tax years, and the amounts involved are confidential, a more detailed description of the cases cannot be given. Due to the confidentiality statute and because the disputed tax assessments are ongoing, the State cannot give an estimate of how much is expected to be eventually recovered through settlement, the administrative proceedings, or adjudication. Moneys recovered are required to be transferred to the Constitutional Budget Reserve Fund.

### *Litigation Pending Before the Alaska Superior Court and the Alaska Supreme Court:*

Elf Aggregation: Five owners of working interests in certain participating areas of the Prudhoe Bay Unit appealed DOR's January 12, 2005 decision aggregating participating areas of the Prudhoe Bay Unit for purposes of calculating Economic Limit Factors used to determine production tax liability. On October 13, 2012, the Office of Administrative Hearings granted DOR's motion for summary judgment, concluding that the aggregation decision did not constitute a regulation requiring compliance with the Administrative Procedure Act. On January 9, 2013, these working interest owners appealed the Office of Administrative Hearings decision to the State Superior Court. The Superior Court affirmed the Office of Administrative Hearings decision in its entirety. The owners have appealed to the Alaska Supreme Court (S-15891). Briefing is complete and oral argument is set for February 17, 2016. This appeal is worth several hundred million dollars in production tax revenues and interest.

## **Pipeline Tariff Litigation**

Strategic Reconfiguration: The State is a party to Trans Alaska Pipeline System (TAPS) tariff litigation matters before the Regulatory Commission of Alaska (RCA) and the Federal Energy Regulatory Commission (FERC) regarding the TAPS Carriers' inclusion in the tariff rate of several hundred million dollars of imprudent expenditures made since 2004 on the TAPS Strategic Reconfiguration project (SR). The factual bases and legal standards for the SR imprudence challenge are substantially the same at the RCA and FERC. After a concurrent hearing with the RCA and FERC, the FERC Administrative Law Judge issued a favorable decision that removed these imprudent costs from the carrier's rate base for 2009 and 2010, which will in turn lower tariff rates. The ALJ's decision was recently upheld by the full FERC Commission. The RCA has not yet issued its decision in this matter. The TAPS owners have filed petitions for review before the United States Court of Appeals for the D.C. Circuit. The impact of this decision would result in payment to the state of additional royalties and production taxes for 2009 and 2010 of over \$200 million. Tariff filings for 2011 and forward have been held in abeyance, and will be addressed when 2009 and 2010 tariffs are resolved.

## **Education and Public School Trust Matters**

Citizens Alliance Protecting School Lands v. State (Public School Trust). A non-profit corporation organized to advocate for school lands issues filed suit for declaratory relief against the State in April 2013. The complaint alleges numerous breaches of trust by the State respecting public school trust lands. The Court on January 20, 2015 granted the State summary judgment dismissing most allegations including that the State has not obtained from the United States all school trust land entitlements under the Alaska Statehood Act. The parties stipulated that the remaining claims involve whether the Territory of Alaska before statehood breached trust duties to obtain more school trust lands, whether the State is responsible for any breach by the Territory, and whether any of the State's defenses apply. The State's second summary judgment motion to dismiss all remaining trust claims is currently pending before the trial court.

Ketchikan Gateway Borough v. State (Local Contribution Challenge). The Ketchikan Gateway Borough (borough) sued the State of Alaska challenging the constitutionality of the mandatory local contribution required to be paid by municipalities under AS 14.12.020(c) and AS 14.17.410(b). The borough claimed the required contribution violated art. IX, sec. 7 of the Alaska Constitution as being an impermissible dedicated tax. The borough further argued that use of the mandatory local contributions to fund public education violates the appropriation clause -- art. IX, section 13 -- as a dedication which expends funds generated from a state mandated tax revenue stream without requiring a legislative appropriation. The borough also claimed that the mandatory local contribution (which is not imposed on the REAA's in the unorganized borough) is unfair and that "the state" is solely responsible under the constitution "to establish and maintain a system of public schools." The superior court issued a decision in the borough's favor, holding that the required local contribution violates the anti-dedication clause, but not the appropriation clause or the governor's veto power. The Alaska Supreme Court reversed, finding for the State as to all claims. At the direction of the Supreme Court, the superior court entered final judgment in the State's favor on January 12, 2016.

### **Environmental Litigation**

State of Alaska v. Williams Alaska Petroleum, Inc. et al., Case No. 4FA-14-01544CI Consolidated. This case involves litigation over environmental liabilities for the North Pole Refinery, including sulfolane pollution of the North Pole drinking water aquifer. Defendant refinery operators have asserted counterclaims seeking contribution from the state due to its role of lessor of the property during 27 out of 37 years the refinery operated.

### **Tort Claims**

The Attorney General's Office is involved in defending numerous tort claims asserted against the State and agencies. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

### **Medicaid Payment Rate Appeals**

The Attorney General's Office is involved in defending numerous Medicaid payment rate appeals filed by providers. No estimate can be given as to the likelihood or financial effect on the outcome of such appeals.

### **Employment Claims**

The Attorney General's Office is involved in defending numerous employment-related claims filed by present or former employees. No estimate can be given as to the likelihood or financial effect on the outcome of such claims.

### **Tobacco Company Litigation**

In 1998, Alaska was among 46 states that entered into a settlement of claims against the nation's major tobacco companies. The companies agreed to pay \$4.5 billion in 2000 with annual increases until payments reach \$9 billion in 2019 and each year thereafter. The State's share, based upon its proportionate tobacco consumption, is about .034 percent of the yearly payment. This income stream is indefinite as long as Americans continue to consume tobacco products.

The Legislature authorized the State to sell to the AHFC 80 percent of the State's annual settlement income. AHFC's purchase was financed through the issuance of revenue bonds by the Northern Tobacco Securitization Corporation (the "NTSC"), a subsidiary the AHFC established and to which the right to receive 80 percent of the settlement revenues was transferred. In 2006, NTSC issued additional revenue



bonds to refinance its purchase of the State's annual settlement income. The NTSC is using the income stream to pay debt service on the bonds. When the bonds are paid, the settlement income reverts to the State. The State used the bond proceeds to pay for a variety of construction and maintenance projects including rural schools, ports and harbors.

The master settlement agreement provides for a payment adjustment mechanism that, when triggered, could result in the impairment of the State's right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. This payment adjustment mechanism has been triggered for the years 2003 - 2010. States that have diligently enforced their qualifying statute are exempted from the application of this adjustment mechanism. In July 2010, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. During that arbitration, Alaska and 15 other states/territories received notice that the participating manufacturers (tobacco companies that joined the master settlement agreement) no longer contested their diligence, rendering those states exempt from the 2003 adjustment. Arbitration for the 2004 adjustment is likely to begin in 2016. The State believes it is exempt from the adjustment for 2004 and subsequent years. The State continues to monitor and participate in this case.

### **CERTAIN LEGAL MATTERS**

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State. The form of the Bond Counsel's opinion is attached as Appendix C hereto. The Office of the Attorney General will issue a certificate regarding no litigation affecting the issuance of the Bonds.

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Bond Counsel is also of the opinion, based on existing laws of the State, that interest on the Bonds is not included in taxable income for purposes of the State income tax imposed on corporations. Interest on the Bonds may be indirectly subject to the Alaska alternative minimum tax imposed on corporations to the extent that interest on the Bonds is subject to the federal alternative minimum tax on corporations.

To the extent the issue price of Bonds of any maturity is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of Bonds of a particular maturity is the first price at which a substantial amount of Bonds of such maturity is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to Bonds of any maturity accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment

of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Bond Bank and each Governmental Unit have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration’s budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The State has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the State or the Beneficial Owners regarding the tax-exempt status of interest on the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the State and its counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the State legitimately disagree, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the State or the Beneficial Owners to incur significant expense.

### **Not Qualified Tax-Exempt Obligations**

The State has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the State, that are not purely historical, are forward-looking statements, including statements regarding the State's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the State on the date hereof, and the State assumes no obligation to update any such forward-looking statements. The State's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the State. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### **RATINGS**

Moody's Investors Service, Inc., Fitch Ratings and Standard & Poor's Ratings Services have assigned the Bonds ratings of "Aa1" with a Negative Outlook, "AAA" with a Negative Watch and "AA+" with a Negative Outlook respectively, based on their research and investigation of the State. Moody's, Fitch and S&P are collectively referred to as the "Rating Agencies." The State furnished each of the Rating Agencies with certain information and materials concerning the Bonds and the State. Any desired explanation of such ratings should be obtained from the rating agency furnishing the same.

Generally, each of the Rating Agencies bases its ratings on such information and materials and also on investigations, studies, and assumptions that it may undertake independently. The ratings assigned by Moody's, Fitch, and S&P express only the views of the Rating Agencies. An explanation of the significance of the ratings may be obtained from Moody's, Fitch, and S&P, respectively. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn

entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### **FINANCIAL ADVISOR**

Acacia Financial Group, Inc. of Anchorage, Alaska (the "Financial Advisor") serves as independent financial advisor to the State in connection with various matters relating to the planning, structuring, execution and delivery of the Bonds. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the State. No guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement.

### **UNDERWRITING**

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriters"), has agreed to purchase the Bonds from the State subject to certain conditions precedent, and will purchase all of the Bonds, if any of such Bonds are purchased, at a purchase price of \$158,841,593.36 (being the par amount of the Bonds, plus \$24,708,678.70 original issue premium, less underwriters' discount of \$657,085.34).

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices (or yields corresponding to such prices) stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the State. The Underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **CONTINUING DISCLOSURE**

Annual audited financial statements of the State of Alaska will be available upon request from the State of Alaska Department of Revenue. The State has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") within seven months after the end of each FY (the "Report Date"), commencing January 31, 2017 for the Annual Disclosure Report for the FY ending June 30, 2016, and to provide notices of the occurrence of certain enumerated events. A form of document specifying the nature of the information to be contained in the Annual Disclosure Report or the notices of certain events is set forth in

Appendix D hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

A failure by the State to comply with the undertaking pursuant to the Rule will not constitute a default under the Resolution. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by a broker-dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds or their market price.

With respect to filing of annual financial information: the State filed its CAFR for FY 2010 16 days later than required; the CAFR for 2010 was not linked by CUSIP numbers to certain of the State's outstanding certificates of participation; the State filed its FY 2009 and 2010 annual financial information for certain of its Sport Fishing Revenue Bonds later than required; the State filed its FY 2012 operating data for certain of its Airport System bonds later than required; and the State did not link its FY 2009 annual financial information for certain Alaska Housing Finance Corporation Collateralized Veterans Mortgage Program bonds with respect to which the State is an obligated person. The State has subsequently filed all required annual financial information and correctly linked it to all outstanding bonds and certificates of participation for which the State was an issuer or obligated person.

With respect to filing of listed events: the State did not file certain notices of listed events relating to the downgrades of insurers of its outstanding bonds and certificates of participation; and the State did not file certain notices of rating changes attributable to general recalibrations of ratings by certain rating agencies for certain of its outstanding bonds and certificates of participation.

The State has adopted procedures to assure future compliance with its continuing disclosure undertakings. Other than as may be described in this section, in the previous five years, the State has not failed to comply, in all material respects, with its previous continuing disclosure undertakings.

#### **MISCELLANEOUS**

The Bonds qualify as collateral for State funds deposited by the Department of Revenue.

The purpose of this Official Statement is to supply information to prospective purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements as to their provisions. This Official Statement is not intended to be a contract or agreement between the State and the purchasers and owners of the Bonds. This Official Statement may not be reproduced or used, in whole or in part, for any purpose other than in connection with the issuance and sale of the Bonds.

All data contained herein, including the appendices hereto, have been taken from State records unless attributed to a specific source. Insofar as any statements contained in this Official Statement involve matters of estimates, projections, forecasts or matters of opinion, whether or not expressly stated, they are set forth as such and are not to be construed as representations of fact.

The appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The appendices appended to this Official Statement are entitled: "SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE", "STATE OF ALASKA 'GENERAL PURPOSE FINANCIAL STATEMENTS' FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, Fiscal Year Ended June 30, 2015", "FORM OF BOND COUNSEL OPINION", "FORM OF CONTINUING DISCLOSURE UNDERTAKING" and "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY".

## **EXECUTION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement have been authorized by the State.

### **STATE OF ALASKA**

By /s/ Deven J. Mitchell

Deven J. Mitchell  
Debt Manager,  
State of Alaska  
For the State Bond Committee

## **APPENDIX A**

### **SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE**

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## THE ECONOMY

The economic and demographic information provided below has been derived from State publications and services which the State considers to be reliable. Such information is accurate as of its date; however, no assurance can be given that such information has not changed since its date.

### State of Alaska

Sharply lower oil prices created a \$2.7 billion unrestricted general fund revenue shortfall in the FY 2015 State budget.

To meet this shortfall, the last State legislature appropriated reserves and enacted budget reductions. It is expected that near term State budgets will enact additional budget reductions and rely on the expenditure of reserves. Governor Walker has proposed revenues from the Permanent Fund earnings be reclassified as unrestricted and used to partially fund State government along with the potential of proposing implementation of a broad based tax.

A September 2015 article in *Alaska Economic Trends*<sup>1</sup> points out that although Alaska's economic structure, with its heavy dependence on oil revenues and the federal government, has not changed from the 1980s recession brought on by a sudden break in oil prices, our situation has changed with a larger and older population and larger amounts saved in budget reserve accounts.

The article lists the following changes today from the 1980s:

- (a) Alaska's median age has risen from 27.5 in the early 1980s to 34.4 today.
- (b) Service providing industries have increased their share of total employment the most since 1985, from 53 percent to 61 percent, most of the increase occurring in private health care and social services.

### Overview of the Economy of the State

The key drivers of the Alaska economy include natural resource development, federal (including national defense) and State government, seafood, and tourism. The State's major exports are oil, seafood (primarily salmon, halibut, cod, pollock and crab), coal, gold, silver, zinc and other minerals. In fiscal year 2015, approximately 75 percent of unrestricted State General Fund revenues arose from the oil and gas sector compared to 88% in fiscal year 2014, while approximately 25 percent of the State's employment is derived from Government. According to 2013 and 2014 averages, total employment and labor income supported by key private sector basic industries in Alaska include 111,500 oil and gas full-time equivalent jobs with \$6.5 billion in labor income, 41,200 seafood jobs with \$2.1 billion in labor income, 37,800 visitor industry jobs with \$1.3 billion in labor income, 8,700 mining jobs with \$1.3 billion in labor income, and 5,000 other jobs with \$0.3 billion in labor income.<sup>2</sup> The State's population continues to grow, increasing 10.6 percent from 2005 to 2015 (Alaska Department of Labor and Workforce Development, Research & Analysis; 2015).

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<sup>1</sup> Alaska Economic Trends, September 2015, Caroline Schultz "The 80's Recession" Are we in a similar position today?

<sup>2</sup> McDowell Group, The Economic Value of Alaska's Seafood Industry December 2015, prepared for ASMI.

## Population

Alaska's Statewide population of 737,625 (July 2015 estimate) increased by 70,479, or approximately 10.6 percent from July 2005. Alaska's growth was greater than the 8.4 percent increase for the United States as a whole during the same ten-year period<sup>1</sup>. Alaska's rate of population growth was 3.3 percent for the period from 2010-2015. Alaska's net migration, however, was negative in 2014 and 2015, leading to the first population dip since 1988.<sup>2</sup>

The following table summarizes the State's population growth since 2005, as well as the growth of population in each of the State's regions. The majority of the high-growth areas were those with access to the road system. The highest growth area was in the Anchorage and Mat-Su Borough region, with a 47,058 population increase from 2005 to 2015, or an increase of 13.4 percent.

**Population of Alaska by Region, 2005-2015\***

| Area Name                        | Estimate<br>July<br>2005 | Estimate<br>July<br>2006 | Estimate<br>July<br>2007 | Estimate<br>July<br>2008 | Estimate<br>July<br>2009 | Census<br>April<br>2010 | Estimate<br>July<br>2011 | Estimate<br>July<br>2012 | Estimate<br>July<br>2013 | Estimate<br>July<br>2014 | Estimate<br>July<br>2015 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Alaska</b>                    | 667,146                  | 674,583                  | 680,169                  | 686,818                  | 697,828                  | 710,231                 | 723,133                  | 731,630                  | 736,616                  | 737,354                  | 737,625                  |
| <b>Anchorage / Mat-Su Region</b> | 352,028                  | 360,060                  | 362,163                  | 366,562                  | 375,304                  | 380,821                 | 387,629                  | 392,058                  | 397,068                  | 398,743                  | 399,086                  |
| <b>Gulf Coast Region</b>         | 75,403                   | 75,196                   | 76,121                   | 76,973                   | 77,742                   | 78,628                  | 80,329                   | 80,632                   | 80,511                   | 80,891                   | 81,111                   |
| <b>Interior Region</b>           | 104,391                  | 104,919                  | 109,336                  | 110,473                  | 110,752                  | 112,024                 | 112,791                  | 115,364                  | 114,515                  | 112,990                  | 112,818                  |
| <b>Northern Region</b>           | 23,665                   | 23,655                   | 23,548                   | 23,532                   | 23,685                   | 26,445                  | 26,939                   | 27,268                   | 27,548                   | 27,525                   | 27,802                   |
| <b>Southeast Region</b>          | 71,712                   | 71,399                   | 70,219                   | 70,504                   | 71,141                   | 71,664                  | 73,702                   | 74,324                   | 74,391                   | 74,560                   | 74,395                   |
| <b>Southwest Region</b>          | 39,947                   | 39,354                   | 38,782                   | 38,774                   | 39,204                   | 40,649                  | 41,743                   | 41,984                   | 42,583                   | 42,645                   | 42,413                   |

\* Preliminary Intercensal 2005-2009, 2011-2015, 2010 Census Estimates. All numbers are based on 2010 Census geography.

Source: US Census Bureau and Alaska Department of Labor and Workforce Development, Research and Analysis Section

## Income

In 2014, Alaska had a per capita personal income of \$54,012, an increase of 13.1 percent from the 2010 per capita personal income of \$47,773<sup>3</sup>. Alaska ranked second in the United States by median household income in 2014. Per capita personal income for the United States was \$46,049 in 2014.

From 2010 to 2014, the average inflation rate in Anchorage (the only Alaska city included in the Consumer Price Index) was 2.4 percent. The average in the United States was 1.7 percent.

The cost of living in Alaska remains significantly higher than the national average. According to the most recent Council for Community and Economic Research's ACCRA Cost of Living Calculator, which compares the living costs for about 300 urban areas in the United States, including four Alaska cities, Anchorage, Juneau, Fairbanks and Kodiak, the cost of living in those cities is 28, 35, 32 and 35 percent, respectively, more expensive than the average city in the index.<sup>4</sup>

<sup>1</sup> United States Census Bureau Annual Estimates of the Resident Population for the United States, Regions, States, and PR July 2015 & July 2005

<sup>2</sup> Alaska Economic Trends, October 2015, Neal Fried, [Alaska Migration and US Recessions](#).

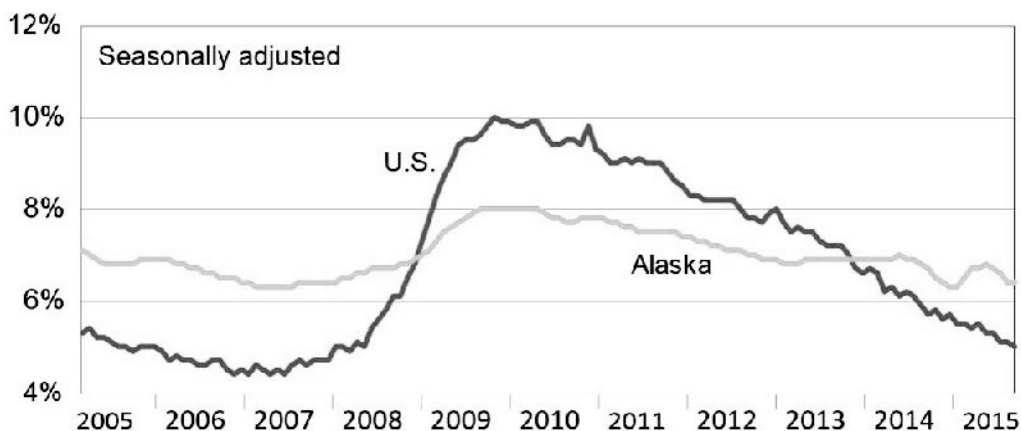
<sup>3</sup> U.S. Department of Commerce, Bureau of Economic Analysis Interactive Data: Personal Income Summary Alaska.

<sup>4</sup> Alaska Department of Labor and Workforce Development, Alaska Economic Trends, July 2012.

## Employment

Data of the Alaska Department of Labor and Workforce Development shows the unemployment rate (seasonally adjusted) for Alaska for December 2015 was 6.5 percent, as compared to a national unemployment rate for the same period of 5.0 percent. As noted in the table below, the State's unemployment rate currently exceeds the national rate, but Alaska's unemployment rate was lower than that of the U.S. from 2009 until 2014<sup>1</sup>

**Unemployment Rates, Alaska and U.S.  
January 2005 to December 2015**



The largest employment sector in Alaska is Government comprised of State, Federal and Local Government employees. For the Government labor force, there were 82,200 workers on average for 2014. The largest non-government sector of employment was Trade, Transportation and Utilities with 64,900. The table below provides a summary of the employment of the Alaska labor force by industry, which have used averages for the years stated.

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<sup>1</sup> Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics.

## Alaska Labor Force Summary

|   | <u>2004 Average</u> | <u>2014 Average</u> | <u>Change<br/>(2004-2014)</u> |
|---|---------------------|---------------------|-------------------------------|
| Total Nonfarm                             | 303,300             | 337,400             | 11.2%                         |
| Mining and Logging                        | 10,100              | 17,800              | 76.2%                         |
| Construction                              | 17,700              | 17,300              | -2.3%                         |
| Manufacturing                             | 12,300              | 14,200              | 15.4%                         |
| Trade, Transportation, Utilities          | 62,100              | 64,900              | 4.5%                          |
| Wholesale Trade                           | 6,200               | 6,500               | 4.8%                          |
| Retail Trade                              | 35,000              | 36,800              | 5.1%                          |
| Transportation, Warehousing and Utilities | 20,800              | 21,600              | 3.8%                          |
| Information                               | 6,900               | 6,200               | -10.1%                        |
| Financial Activities                      | 12,200              | 12,200              | 0.0%                          |
| Professional and Business Services        | 24,700              | 29,800              | 20.6%                         |
| Educational and Health Services           | 35,100              | 46,800              | 33.3%                         |
| Leisure and Hospitality                   | 30,200              | 34,100              | 12.9%                         |
| Accommodation and Food Services           | 26,300              | 29,300              | 11.4%                         |
| Other Services                            | 11,200              | 11,800              | 5.4%                          |
| Government                                | 80,900              | 82,200              | 1.6%                          |
| Federal Government <sup>1</sup>           | 17,200              | 14,900              | -13.4%                        |
| State Government                          | 24,100              | 26,500              | 10.0%                         |
| Local Government <sup>2</sup>             | 39,600              | 40,800              | 3.0%                          |

1 Federal government does not include military or armed personal.

2 Includes tribal government.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

## Federal Spending<sup>1</sup>

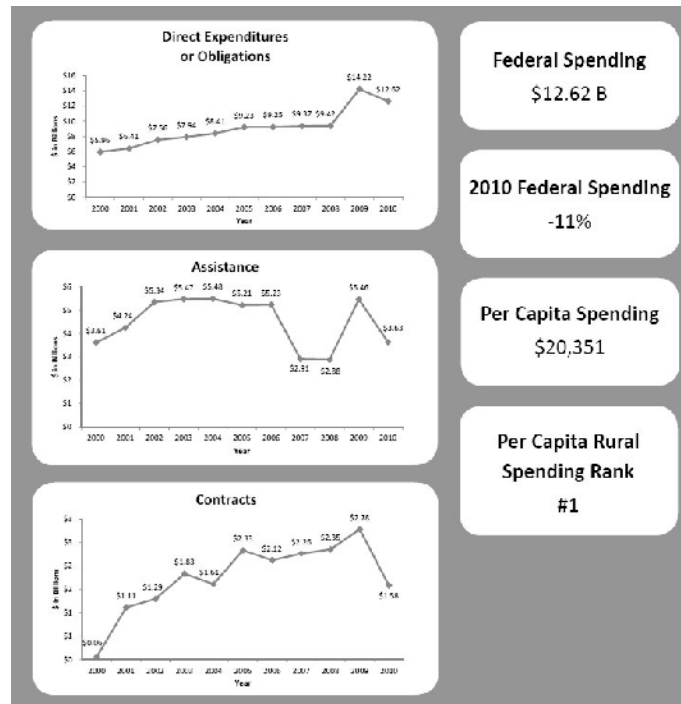
Federal spending has a significant impact on Alaska's economy. Federal funds contribute to military and federal government employment, as well as provide support for specific in-state programs and projects. In many cases, State funds are also used to leverage federal funds in matching programs helping to improve Alaskan communities.

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<sup>1</sup> United States Department of Commerce, Census Bureau. 2011. Consolidated Federal Funds Report for Fiscal Year 2010: State and County Areas. CFFR/10

## 2010 Federal Spending Indicators



Federal spending in Alaska has been on the rise since 2000. Most notably, the American Recovery and Reinvestment Act (ARRA) of 2009 resulted in a 48 percent increase in federal funding. Between 2009 and 2010, ARRA funding declined, but still remained significantly higher than pre-ARRA spending. During 2010, federal spending per capita in Alaska was \$20,351. Alaska currently ranks first in total per capita federal spending, followed by Virginia and Maryland. Alaska ranks first in grants, second in salaries and wages, and fourth in procurement. In addition to direct expenditures, the federal government is also a significant employer and landowner in Alaska. The federal government is Alaska's largest landowner with 60 percent of Alaska total area including national parks, refuges, national forests, military installations, and the North Slope National Petroleum Reserve.<sup>1</sup> A strong federal presence spanning land management, military, and numerous public services also leads to significant employment opportunities as 40,000 Alaskans were on the federal payroll during 2010.<sup>2</sup>

### Oil and Gas<sup>3</sup>

According to a study completed by McDowell Group, Inc. for the Alaska Oil and Gas Association (2014), employment and payroll in the oil and gas industry in 2013 included over 5,335 workers for the primary oil and gas industry companies, including 4,700 Alaska residents, earning \$780 million in wages. Alaska residents represented 88 percent of the primary oil and gas industry company hire. The report also stated total direct, indirect, and induced employment and wages, oil and gas industry's spending in Alaska accounted for 51,000 jobs and \$3.45 billion in total wages in Alaska's private sector. These estimates do not include nonresident oil and gas industry workers or their wages. The industry is forecast to lose 1,000 jobs in 2016, returning employment to roughly its 2012 level. This relatively conservative forecast accounts

<sup>1</sup> Alaska Department of Natural Resources (ADNR), Division of Mining, Land, and Water. 2000. Land Ownership in Alaska Fact Sheet. March 2000.

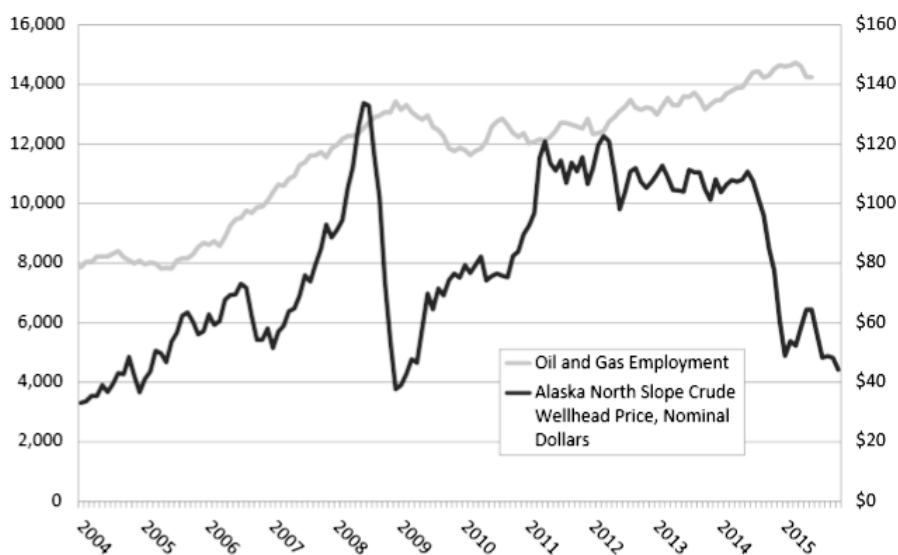
<sup>2</sup> Alaska Department of Labor and Workforce Development (ADLWD), Research and Analysis Section. 2012. Trends. February 2012

<sup>3</sup> McDowell Group, Inc. (2011). The Role of the Oil and Gas Industry in Alaska's Economy. Alaska Oil and Gas Association. 52 pp. P. 1-2. Retrieved from <http://www.aoga.org/wp-content/uploads/2011/10/2011-McDowell-Study.pdf>

for significant industry cutbacks in 2016, but also allows for continued project work and the ever-increasing repairs and maintenance required by aging infrastructure in harsh environments.<sup>1</sup> The following chart, from the Alaska Department of Revenue, Tax Division, graphically depicts a comparison of oil price and oil employment from 2004 to 2015.

## Low Oil Prices' Impact on Jobs

OIL PRICE AND OIL EMPLOYMENT, 2004 TO 2015



### Government<sup>2</sup>

Government was responsible for 82,200 jobs in July 2014, as a yearly average, almost a quarter of all nonfarm employment in the State. This sector encompasses occupations in all industries, including teachers, builders, deckhands, and scientists.

Local government employment grew by about 1,200 jobs — or 3.0 percent — from 2004 to 2014, with local administrations and public school districts representing the largest employers. Local government employment also includes tribal government occupations. Within the local government sector, school district employment grew by 600 jobs, or half of the total increase for local government employment.

In 2014, State government employment accounted for approximately 7.9 percent of total nonfarm employment. State agencies are likely to trim operating costs through attrition, particularly from record levels of retirements due to the State's aging workforce.<sup>3</sup>

Federal government employment decreased by 2,300 jobs, or a decline of 13.4 percent, over the decade. Growth in the civilian defense sector, Veterans' Affairs, and the National Park Service was largely offset by reduced employment by the U.S. Postal Service, health services, agriculture, and aviation, as private firms stepped in or programs were phased out. The following table shows a breakdown of total Government job gains and losses over the last decade.<sup>3</sup>

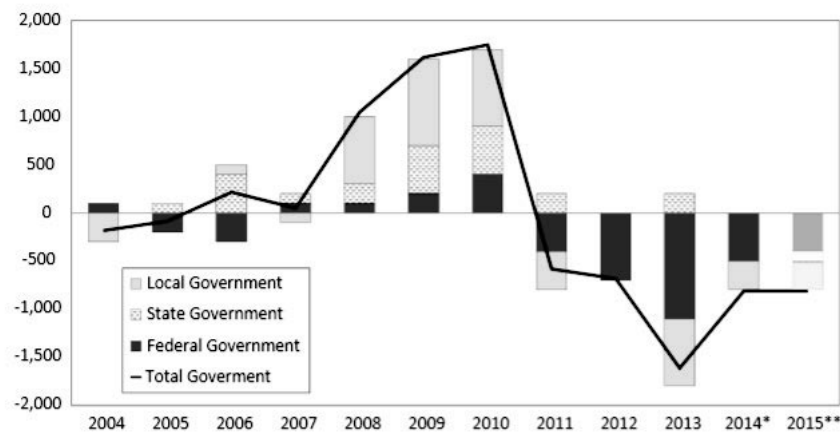
<sup>1</sup> Alaska Economic Trends, January 2016, Caroline Shultz, [Economic Forecast for 2016](#)

<sup>2</sup> Alaska Department of Labor and Workforce Development, Research and Analysis Section.

<sup>3</sup> Alaska Economic Trends, January 2015, Caroline Shultz, [Employment Forecast for 2015](#)

# Breakdown of Government Job Loss

STATEWIDE, 2004 TO 2015



\*Preliminary \*\*Forecast

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

Before September 11, 2001, the military was reducing its presence in Alaska. However since then the U.S. funneled additional defense funds into the State. Though the Base Realignment and Closure Act of 2005 resulted in closures, the overall presence of armed forces in the State has increased. There were 3,100 more uniformed military personnel in Alaska in 2011 than there were in 2001. Other military growth includes civilian defense employment and federal spending on base and facility upgrades, salaries, and maintenance.<sup>1</sup> Force reduction proposals on the order of 2,700 to 3,000 personnel are, however, under current consideration.

## Health Care<sup>2</sup>

Health care has been the State's fastest-growing industry. It employs nearly 33,800 people, and in 2014 its payroll exceeded \$2.0 billion. As of 2010, 15 of the 100 largest private sector employers in the State are health care providers. Private sector health care employment increased from 25,300 in 2004 to 33,800 in 2014.

The growing population of elderly Alaskans increased demand for services. Although only 7.7 percent of Alaskans are over 65 compared to the nation's 13 percent, the 65-plus group grew by 54 percent between 2000 and 2010, compared to 13 percent nationally. As the industry expanded and more health care choices emerged, more of Alaska's health care spending remained in-State. In 1990, health care accounted for 4 percent of Alaska's wage and salary employment versus 7 percent for the nation. By 2010, that difference narrowed to 9.3 percent for Alaska and 10.6 percent nationwide.

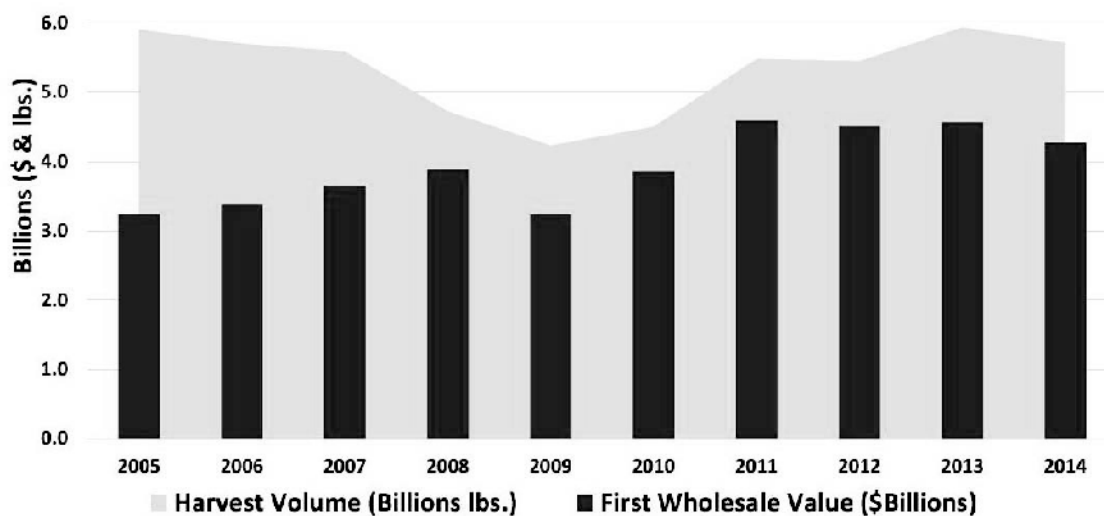
<sup>1</sup> State of Alaska, Comprehensive Annual Financial Report; July 1, 2011 – June 30, 2012.

<sup>2</sup> Alaska Economic Trends, September 2011, The Decade in Review: 2000 – 2010.

## Fisheries

In 2014, seafood was Alaska's largest foreign export, and the State generally ranks sixth in seafood export value compared to all other seafood producing nations. Alaska's seafood export value was \$2.27 billion in 2014, accounting for approximately 44 percent of Alaska's total exports of \$5.2 billion. Two countries, China and Japan, made up more than \$1.3 billion dollars of Alaska's total seafood exports in 2014. Japan, long the State's largest seafood export market, purchased \$525.6 million. China has exceeded Japan as the largest seafood export market since 2011, and in 2014 accounted for \$783.5 million in total seafood export value.<sup>1</sup>

In 2014, commercial fishermen landed approximately 5.7 billion pounds of Alaska seafood worth \$1.9 billion in ex-vessel value. Salmon is the most valuable commercial species, and responsible for the greatest economic impact, while pollock is the largest single species fishery by harvest volume. Processors generated 2.8 billion pounds of Alaska seafood products in 2014 with a first wholesale value of \$4.2 billion. The top ports by first wholesale value were Dutch Harbor (\$450 million), Kodiak (\$284 million), Naknek-King Salmon (\$254 million), Cordova (\$174 million), and Sitka (\$129 million).<sup>2</sup> The following chart depicts ten years of harvest volume data in comparison to first wholesale value:



Alaska seafood processing employment, including on-shore and off-shore, included an estimated 25,055 workers in 2014. Shore-based processing employment in Alaska peaked at just under 20,800 jobs in 2014, with annual average employment of about 9,200. Shore-side and floating processors paid a total of \$400 million in wages in 2014. The overall Alaska seafood industry has grown from 2010-2014, including by the number of resident fishermen, processing employment, total earnings, and both harvest and wholesale value.<sup>2</sup>

## Mining

Alaska's mining industry includes exploration, mine development, and production. The industry produces zinc, lead, copper, gold, silver, coal, as well as construction minerals such as sand, gravel, and rock. Alaska's seven largest operating mines are Fort Knox, Greens Creek, Red Dog, Usibelli, Pogo, Kensington, and Nixon Fork, and provided nearly 4,400 full-time direct mining jobs of the nearly 8,700 mining industry jobs in Alaska in calendar year 2014.

<sup>1</sup> Alaska Export Report, 2014 Update, Alaska Office of International Trade.

<sup>2</sup> McDowell Group, The Economic Value of Alaska's Seafood Industry December 2015, prepared for ASMI.



The growth in mining was supported by several large developments. Pogo Mine in the eastern interior of Alaska was commissioned in 2006, but began to create jobs in 2005. Fort Knox Mine in the Fairbanks North Star Borough built a heap-leach facility in 2009. And, after several delays, Kensington Mine opened in Southeast Alaska in June of 2010.

In 2014, Alaska's mining industry provided some of Alaska's highest paying jobs with an estimated average annual wage of \$100,000, over twice the State average for all sectors of the economy, with \$620 million in total direct and indirect payroll.<sup>1</sup>

In 2014, mineral ores was Alaska second largest foreign export totaling \$1.75 billion, or approximately 34% of Alaska's total exports. Top 6 export buyers by value were China (\$480.4 million), Canada (\$326.9 million), Japan (\$239.5 million), South Korea (\$188.6 million), Spain (\$158.9 million), and Australia (\$105.5 million).<sup>2</sup>

### **Tourism<sup>3</sup>**

Alaska visitor volume for May 2013-April 2014 was 1,966,700, a 6 percent increase over the previous 12 month period.

Alaska's visitor industry accounted for an estimated 38,700 full- and part-time jobs during the 2013-2014 study period, including all direct, indirect, and induced impacts.

Out-of-state visitors to Alaska spent an estimated \$1.8 billion in Alaska between October 2013 and September 2014. This figure includes in-state spending only, excluding the cost of transportation to and from the State.

### **Retail<sup>4</sup>**

A number of new chain and homegrown retailers opened in Alaska during the past decade. Since 2000, the following retailers opened stores in Alaska: Kohl's, new Walmart's, Best Buy, Target, Sportsman's Warehouse, Petco, Bed Bath and Beyond, and Walgreens. The retail sector provided 35,400 jobs in Alaska in 2014.

Retail trade remains Alaska's largest private sector employer. During the 1980s and 1990s, retail trade in Alaska grew more rapidly than the overall economy. However, during this most recent decade, retail employment grew half as fast as overall employment, adding just 2,400 jobs compared to the 7,500 new jobs during the 1990s. At the end of the decade, retail's share of total statewide employment was on par with the rest of the nation at 11 percent.

According to census data, Alaska's per-capita sales run 9 percent above the national average, with higher prices accounting for much of that difference.

### **Transportation<sup>5</sup>**

Given the geography of the State, Alaskans rely on aviation and marine transportation to move people and goods. Although Alaska is the largest state in terms of area, it has the fifth-lowest road mileage

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<sup>1</sup> The Economic Benefits of Alaska's Mining Industry, McDowell Group, Inc. report for the Alaska Miners Association. January 2015.

<sup>2</sup> Alaska Export Report, 2014 Update, Alaska Office of International Trade.

<sup>3</sup> McDowell Group, Inc. report for DCCED on Alaska's Visitor Industry 2011-2012 and report for Fall/Winter 2013-2014.

<sup>4</sup> Alaska Economic Trends, September 2011 and January 2014, Decade in Review, 2000-2010.

<sup>5</sup> Alaska State Transportation Plan, adopted February 29, 2008.

in the U. S. The primary reasons for the low road miles in Alaska are (i) the majority of people live in the urbanized areas and (ii) extreme weather, rugged terrain, vast distances, low population density and scattered islands make road construction difficult and costly compared to the number of users. Many remote communities are connected to the rest of Alaska and the rest of the world, through waterways or airports, rather than roads.

Most goods shipped to and from Alaska move by way of intermodal transportation systems. Most food, household items and consumer goods shipped from the lower 48 states of the U. S. to Alaska generally arrive by container ship, barge or roll-on, roll-off vessel. Upon arriving in Alaska, freight bound for destinations connected by the highway system are transported by truck or by rail on the Alaska Railroad. Freight bound for remote destinations is flown from Anchorage or Fairbanks to the remote communities. Heavy or bulk commodities are most often moved by barge to remote communities where seasonal barge service is available.

Given the size, geography and population distribution in Alaska, air transportation is critical for Alaska's economy and the health, safety and welfare of all Alaskans. The State owns about 252 rural airports, in addition to Ted Stevens Anchorage International Airport ("ANC") and Fairbanks International Airport. ANC serves as the primary passenger airport in the State and is an important cargo airport globally. In terms of cargo levels, ANC was ranked as the number two cargo airport in North America and as the number five cargo airport in the world by Airports Council International in calendar year 2010. In fiscal year 2015, all-cargo certificated maximum gross takeoff weight (measured in 1,000 lb. units) increased to 21,971,000 from 20,660,000 in 2014, however, this was a decrease from levels seen in the 2007 fiscal year of 29,129,000. In fiscal year 2015, passenger activity at ANC (including passenger enplanements, passenger deplanements and in-transit passengers) was approximately 5.36 million, as compared to 5.12 million in 2005.<sup>1</sup>

Alaska's ports and harbors are an important element of the State's economy, providing for the import and export of goods. Port and harbor facilities provide an economic base for those communities dependent on marine resource utilization such as fishing and recreational use. They are an essential link to Alaska's resources, including fisheries, oil, natural gas, mineral resources and recreational activities.

The Alaska Marine Highway System ("AMHS") is a critical part of Alaska's transportation system and the service it provides is part of the National Highway System. AMHS serves 35 Alaska ports by transporting passengers, vehicles, and cargo between coastal communities on 11 operating vessels, with construction of 2 additional vessels underway. This service helps meet the social, educational, health and economic needs of Alaskans. In 2015, the AMHS recorded \$53.9 million in operating revenues, which is the highest operating revenue ever in the history of AMHS. In 2014, AMHS carried approximately 319,004 passengers and 108,478 vehicles, an increase in passenger traffic, and slight decrease in vehicle traffic from 2013.

The Alaska Railroad operates a total of 656 miles of railway miles in Alaska, consisting of 467 miles of main line, 54 miles of branch line and 135 miles of yards and sidings. The Alaska Railroad plays an important economic role. In 2014, the Alaska Railroad carried 4.92 million tons of freight and 468,661 passengers. As of June 2013, the railroad employed 685 year-round employees.<sup>2</sup>

Transportation, warehousing, and utilities employment grew modestly in the last decade, with 21,600 jobs in 2014 compared to 20,800 jobs in 2004. The slowdown in Alaska's economy in 2009 resulted in steep declines in the visitor industry and international cargo. However, employment growth in Alaska's

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<sup>1</sup> Alaska International Airports System, Statistics, <http://dot.alaska.gov/aias/stat2557scascca.shtml>

<sup>2</sup> Alaska Railroad Corporation Fact Sheet, <http://www.akrr.com/arrc29.html>.

transportation sector was positive between 2000 and 2013, in contrast to the nation's decline of more than 6 percent.

Transportation employment grew modestly in the last decade, with 21,500 jobs in 2013 compared to 20,700 jobs in 2003. The slowdown in Alaska's economy in 2009 resulted in steep declines in the visitor industry and international cargo. However, employment growth in Alaska's transportation sector was slightly positive between 2000 and 2013, in contrast to the nation's decline of more than 6 percent.

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## **APPENDIX B**

### **STATE OF ALASKA “GENERAL PURPOSE FINANCIAL STATEMENTS” FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, Fiscal Year Ended June 30, 2015**

**The annual financial report for the State contained in Appendix B hereto is historical information that presents the State’s financial position as of June 30, 2015. This report reflects historical performance. The financial performance of the State reflected in such report cannot be relied upon as a reliable indicator of subsequent performance. Historical trends cannot be used to anticipate results or trends in future periods.**

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# State of Alaska

# Comprehensive Annual Financial Report

For the Fiscal Year  
July 1, 2014 – June 30, 2015



Prepared by:  
Department of Administration  
Division of Finance

The FY 2015 CAFR is expected to be available on or after December 15, 2015 on our Internet web site at <http://doa.alaska.gov/dof/reports/cafr.html>.

**This publication was released by the Department of Administration, Division of Finance to report on the State's financial status. Produced and printed in Juneau, Alaska at a cost of \$ 20.59 per copy.**

**This publication is required by AS 37.05.210.**



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# STATE OF ALASKA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

### For the Fiscal Year Ended June 30, 2015

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# STATE OF ALASKA

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# Introductory Section

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THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

## Department of Administration

SHELDON FISHER, COMMISSIONER

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February 1, 2016

The Honorable Bill Walker, Governor  
Members of the Legislature  
Citizens of the State of Alaska

In accordance with Alaska Statute (AS) 37.05.210, it is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the State of Alaska for the fiscal year ending June 30, 2015. 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, 2015, are free of material misstatement. The audit involved examining, on a

test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

In addition to the annual audit of the State's CAFR, the State is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs will be published at a later date under separate cover by the Division of Legislative Audit.

### **Management's Discussion and Analysis**

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

### **PROFILE OF THE STATE OF ALASKA**

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

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

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

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



## **Budgetary Control**

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

## **ECONOMIC CONDITION AND OUTLOOK**

### **Economy**

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

The following table shows General Fund revenues by category for the current and previous fiscal year. Clearly, the State's major source of unrestricted revenue is no longer petroleum related. In FY 15, petroleum revenue decreased \$3.2 billion to just 21.3 percent of all General Fund revenues. This is significantly lower than in past years. The largest source of nonpetroleum revenues is federal, which makes up 51.7 percent of revenues. Revenue related to taxes and rents and royalties continues to be a significant source of income for the State, making up 33.1 percent of all General Fund Revenues (petroleum and nonpetroleum related). During FY 15, interest and investment income declined \$942.7 million to just 6.8 percent of all General Fund revenues from 14.5 percent in FY 14. For the first time, the amount paid out in severance tax refunds was more than what was collected, creating an overall negative petroleum related severance tax amount.

Not all revenues that flow into the General Fund are available to pay for unrestricted government activities. The most notable are federal revenues, which are provided for specific purposes.

|                                       |                   |                |                   |                |
|---------------------------------------|-------------------|----------------|-------------------|----------------|
| (Stated in millions)                  |                   |                |                   |                |
| <u>Petroleum Revenue</u>              | <u>FY 15</u>      | <u>Percent</u> | <u>FY 14</u>      | <u>Percent</u> |
| Property Tax                          | \$ 127.8          | 2.6%           | \$ 128.1          | 1.5%           |
| Corporate Petroleum Income Tax        | 94.8              | 1.9%           | 344.5             | 3.9%           |
| Severance Tax                         | (264.1)           | -5.4%          | 2,035.2           | 23.1%          |
| Mineral Bonuses and Rents             | 22.4              | 0.5%           | 15.1              | 0.2%           |
| Oil and Gas Royalties                 | 1,051.9           | 21.7%          | 1,705.0           | 19.3%          |
| Total Petroleum Revenue               | 1,032.8           | 21.3%          | 4,227.9           | 48.0%          |
| <u>Nonpetroleum Revenue</u>           |                   |                |                   |                |
| Taxes                                 | 533.2             | 11.0%          | 446.5             | 5.1%           |
| Licenses and Permits                  | 130.1             | 2.7%           | 124.3             | 1.4%           |
| Charges for Services                  | 199.3             | 4.1%           | 184.0             | 2.1%           |
| Fines and Forfeitures                 | 15.3              | 0.3%           | 16.7              | 0.2%           |
| Rents and Royalties                   | 31.8              | 0.7%           | 44.4              | 0.5%           |
| Interest and Investment Income/(Loss) | 336.9             | 6.9%           | 1,279.6           | 14.5%          |
| Other Revenue                         | 61.3              | 1.3%           | 77.1              | 0.9%           |
| Total Nonpetroleum Revenue            | 1,307.9           | 27.0%          | 2,172.6           | 24.7%          |
| Federal Revenue                       | 2,512.7           | 51.7%          | 2,410.5           | 27.3%          |
| Total Revenues                        | <u>\$ 4,853.4</u> | <u>100.0%</u>  | <u>\$ 8,811.0</u> | <u>100.0%</u>  |

The total expenditures charged against General Fund appropriations during FY 15 amounted to \$13.1 billion, an increase of \$3.1 billion from FY 14. The Department of Administration experienced a significant increase due to on-behalf employer relief payments for the pension funds. The Department of Revenue experienced an increase due to the size of the permanent fund dividend payments to the citizens of Alaska and capital projects for the Alaska Housing Finance Corp. Expenditures by department are compared with the prior year in the following table:

|   |                   |                |                   |                |
|---|-------------------|----------------|-------------------|----------------|
| <u>Department Expenditures (stated in millions)</u> | <u>FY 15</u>      | <u>Percent</u> | <u>FY 14</u>      | <u>Percent</u> |
| Office of the Governor                              | \$ 33.3           | 0.3%           | \$ 30.1           | 0.3%           |
| Administration                                      | 3,015.9           | 23.0%          | 646.8             | 6.5%           |
| Law   | 71.7              | 0.6%           | 68.5              | 0.7%           |
| Revenue   | 1,442.4           | 11.0%          | 911.5             | 9.2%           |
| Education and Early Development                     | 1,767.8           | 13.5%          | 1,686.6           | 16.9%          |
| Health and Social Services                          | 2,684.2           | 20.5%          | 2,460.7           | 24.7%          |
| Labor and Workforce Development                     | 130.9             | 1.0%           | 148.7             | 1.5%           |
| Commerce, Community, and Economic Development       | 697.7             | 5.3%           | 929.4             | 9.3%           |
| Military and Veterans' Affairs                      | 90.6              | 0.7%           | 100.6             | 1.0%           |
| Natural Resources                                   | 237.6             | 1.8%           | 215.2             | 2.2%           |
| Fish and Game                                       | 137.5             | 1.1%           | 139.8             | 1.4%           |
| Public Safety                                       | 187.3             | 1.4%           | 191.1             | 1.9%           |
| Environmental Conservation                          | 127.5             | 1.0%           | 141.4             | 1.4%           |
| Corrections   | 318.4             | 2.4%           | 313.4             | 3.1%           |
| Transportation and Public Facilities                | 1,322.3           | 10.1%          | 1,279.7           | 12.8%          |
| Legislature   | 83.6              | 0.6%           | 71.2              | 0.7%           |
| Debt Service  | 5.3               | 0.0%           | 1.8               | 0.0%           |
| Alaska Court System                                 | 122.8             | 0.9%           | 123.2             | 1.2%           |
| University  | 630.6             | 4.8%           | 518.7             | 5.2%           |
| Total Expenditures                                  | <u>\$13,107.4</u> | <u>100.0%</u>  | <u>\$ 9,978.4</u> | <u>100.0%</u>  |

## **Major Industry**

Alaska North Slope oil prices averaged \$72.58 per barrel during FY 15. Currently, spot oil prices are below \$50 per barrel but were projected to average \$50 per barrel for FY 16 and \$56 per barrel for FY 17. However, oil prices are continuing to decline to as low as \$26 per barrel during January 2016 making any kind of forecasting difficult to perform.

The major over-riding concern in the oil industry is the decrease in oil price and its cascading effect throughout the State's economy. However, Respol's anticipated production of approximately 60,000 barrels of oil per day is a significant event for the future of North Slope oil production. The economic effect of low oil prices is compounded by significant cuts in State government spending. Tax credits are significant for the development of the Cook Inlet basin and continue to support five consecutive years of increased oil production in the area. New federal leases offered in the Cook Inlet may also provide opportunities for greater expansion.

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

## **Long-term Financial Planning**

The State of Alaska's bond rating was at AAA during FY 15, the highest grade, by Moody's Investor's Service, Standard & Poor's and Fitch Ratings. An AAA rating is given to entities with an exceptional degree of creditworthiness, with little risk of loan default. However, recently, Moody's Investor's Services lowered the State's bond rating to Aaa- and Standard's & Poor's lowered the State's bond rating to AA+ due to the State's reliance on oil revenues.

During FY15, the State of Alaska issued \$155.2 million in General Obligation Bond Anticipation Notes, Series 2015A, generating \$162.7 million in proceeds for the purpose of paying \$160.0 million of principal and \$1.7 million of interest expense of the State's General Obligation Bond Anticipation Notes, Series 2014 and \$1.0 million for paying additional costs of the projects authorized by the 2012 State Transportation Bond Act. A State appropriation of \$10 million was used along with the proceeds of the Notes to pay and redeem the 2014 Notes. In November of 2012, a general obligation bond authorization was passed authorizing the issuance of \$453.5 million of general obligation bonds for the purpose of

paying the cost of design and construction of State transportation projects. A cumulative \$182.0 million of the authorization has been funded by the 2013, 2014, and 2015 Bond Anticipation Notes.

Additionally, in FY15, the State of Alaska issued \$94.4 million in General Obligation Refunding Bonds, Series 2015B, generating \$116.6 million in proceeds to the State for the purpose of advance refunding the callable maturities, and a portion of the August 1, 2015 maturity of the State's General Obligation Bonds, Series 2009A. The refunding produced present value savings of \$7.5 million or 7.5 percent of the refunded bonds.

Also during FY15, the State of Alaska closed on the Series 2014 Certificates of Participation (COPs) for the Alaska Native Tribal Health Consortium (ANTHC) housing facility project based on authority provided in 2013 by passage of Senate Bill No. 88 enacted as Chapter 63. The State sold \$30.9 million of par amount, which combined with original issue premium of \$4.5 million yielded \$35.4 million in proceeds of which \$35.0 million was deposited into the project account.

In FY16, the State anticipates refinancing the General Obligation Bond Anticipation Notes, Series 2015A prior to their maturity date in March 2016, and issue additional bonds to fund project cash flows as needed, as authorized by the 2012 State Transportation Bond Act.

Net position at June 30, 2015 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were \$16.4 billion and \$8.2 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2014, actuarial valuations indicated the actuarial accrued liabilities were 59.7 percent pensions and 87.0 percent postemployment funded for PERS, and 54.5 percent pension and 77.0 percent postemployment funded for TRS. Recognizing that the unfunded pension liability is the largest budget cost driver, Chapter 18 SLA 2014 transferred \$1 billion into the PERS and \$2 billion into the TRS from the Constitutional Budget Reserve Fund (CBRF) during FY 15. These amounts are required by law to be paid back to the CBRF. Future budgets will determine the payback process and timing. 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.

For decades, oil revenues have paid for the largest share of state expenses. We are now into the second year of dramatically decreased oil prices. The fiscal status quo is unsustainable. Looking ahead at the next 10 years, Alaska must grow its revenue base. The main emphasis of the 10-year plan is to prudently reduce state expenditures, identify new revenues to address the large structural fiscal gap the State is now facing, and to facilitate Alaska's transition from a predominantly oil revenue base to an oil and natural gas revenue base. Revenue and other economic activity generated from the commercialization of Alaska's natural gas would help diversify Alaska's revenue sources and provide a potentially substantial source of revenue to offset declining oil revenue. In addition, commercialization of North Slope gas, in conjunction with other state investments to reinvigorate natural gas production in Cook Inlet, will provide economic opportunity and a stable, clean source of energy to fuel Alaskan businesses and homes for years to come. Efforts to diversify and enhance revenue sources cannot solely rely on commercializing Alaska's natural gas. Alaska must continue to make strides to maximize production from existing oil fields and develop other economic opportunities, particularly from its abundant natural

resource base. The State must also consider new revenue sources, including permanent fund earnings and taxes, in order to close the fiscal gap.

## **Relevant Financial Policies**

### Spending Limitation

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

### Investments

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

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

### Cash Flow and Revenue Shortfalls

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

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

Prior to 1985, most unrestricted revenues flowed directly into the State's General Fund where they were available to pay day-to-day costs of operating State government. This is no longer the case. Over time, the legislature has established many subfunds of the General Fund to segregate cash for budgeting

purposes. In 1990 the legislature appropriated the entire General Fund balance available for appropriation at the end of FY 91 to a statutory Budget Reserve Fund (SBRF). By a vote of the people in 1990, the Alaska Constitution was amended to establish the CBRF, into which oil tax settlement revenues are deposited. The effect of these actions diverted cash historically destined for the General Fund to other cash pools that were not available to pay day-to-day State operating costs.

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

Borrowing from the budget reserve funds has been the solution for both cash flow shortages and revenue shortfalls. Between FY 93 and FY 05, the legislature addressed the possibility of a revenue shortfall by including language in the appropriation act permitting the executive branch to borrow cash from the SBRF and the CBRF in the event expenditures exceeded revenues; which did occur in several years. All borrowings from the CBRF were repaid by FY10 and no additional borrowings for cash flow shortages have taken place. In FY 15, the unrestricted fund balance in the General Fund was insufficient to cover General Fund appropriations. This resulted in a \$2,503 million year-end transfer from the SBRF to the General Fund.

## **Initiatives**

The State is continuing the implementation of an Enterprise Resource Planning (ERP) solution powered by AMS-Advantage to replace disparate administrative systems. The integration of financial, human resource/payroll and procurement functions into one statewide system will provide greater transparency and more efficient management of resources. The financial and procurement sections of the ERP, named IRIS, went “live” on July 1, 2015. The human resource section of the ERP is scheduled to “go live” in the winter of 2017.

Providing a clear path toward a gasline that can create thousands of jobs, fuel Alaskan homes and businesses, and grow our economy is still a priority for the administration. The passing of SB70 authorizes the issuance of a right-of-way lease for a natural gas pipeline through a corridor in the Denali State Park, Willow Creek, Nancy Lake, and Captain Cook State Recreation Areas. The passing of SB3001 authorizes the purchase of TransCanada’s interest in the gasline project. In the calendar year 2014, Alaska exported \$221.9 million in liquefied natural gas from Cook Inlet to Japan.

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

The Honorable Bill Walker, Governor  
Members of the Legislature  
Citizens of the State of Alaska

February 1, 2016

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 //

Sheldon Fisher  
Commissioner  
Department of Administration

// signature on file //

Scot Arehart  
Director  
Division of Finance

// signature on file //

Lisa M. Pusich, CPA  
Deputy Director  
Division of Finance

// signature on file //

Katina Holmberg, CPA  
State Accountant  
Division of Finance



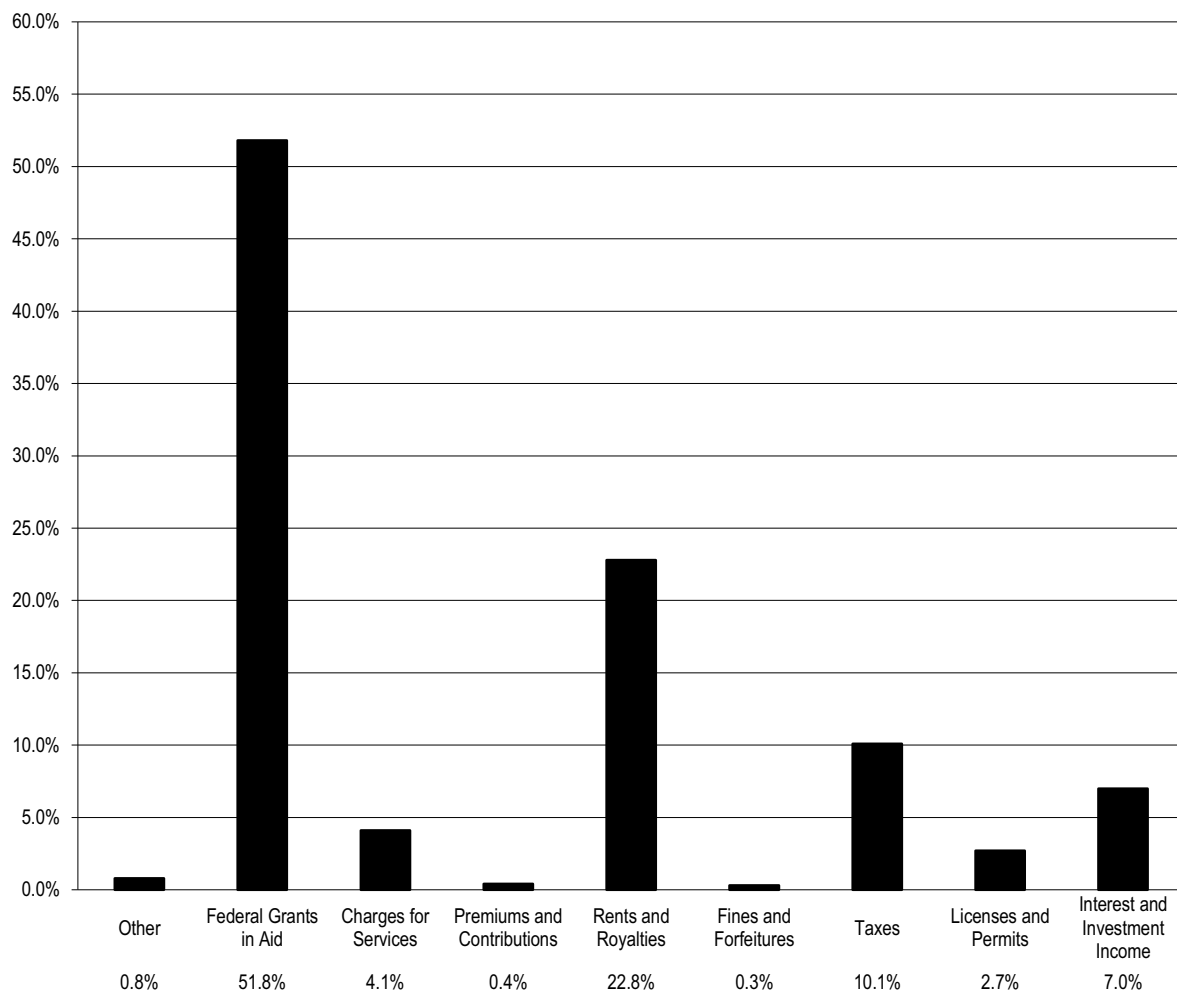
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# STATE OF ALASKA GENERAL FUND REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$4,853  
(Millions)

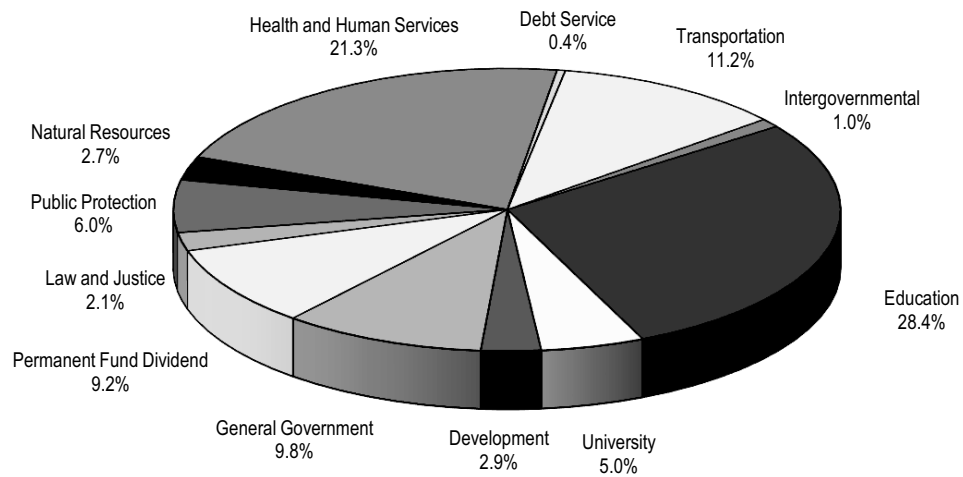


**EXHIBIT 2**

# **STATE OF ALASKA GENERAL FUND EXPENDITURES BY FUNCTION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

\$13,128  
(Millions)



# STATE OF ALASKA GENERAL FUND EXPENDITURES AND REVENUES

TEN YEAR COMPARISON  
FOR THE FISCAL YEARS 2006 THROUGH 2015

(Stated in Billions)

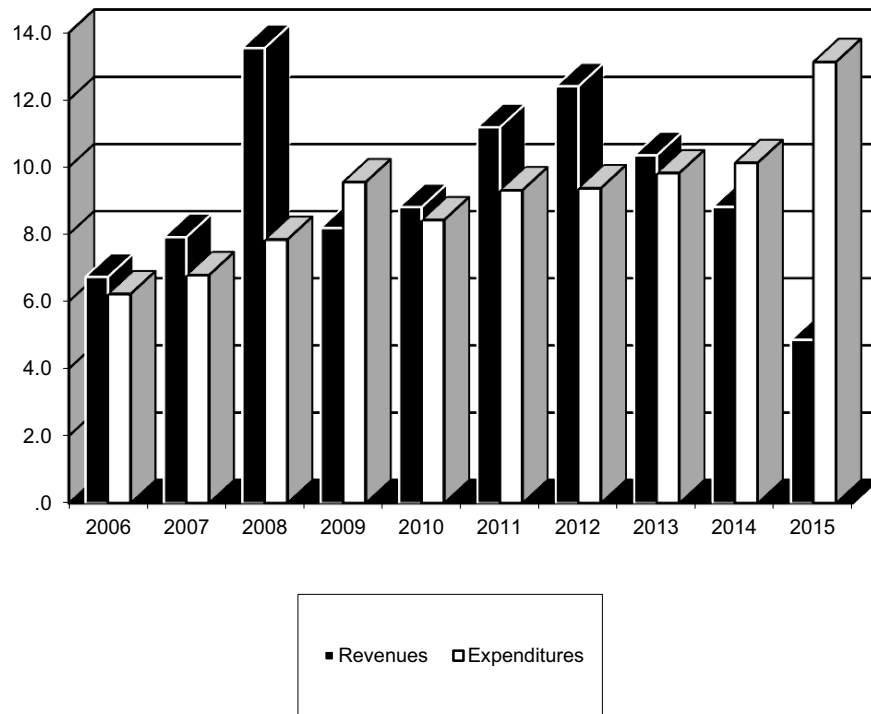
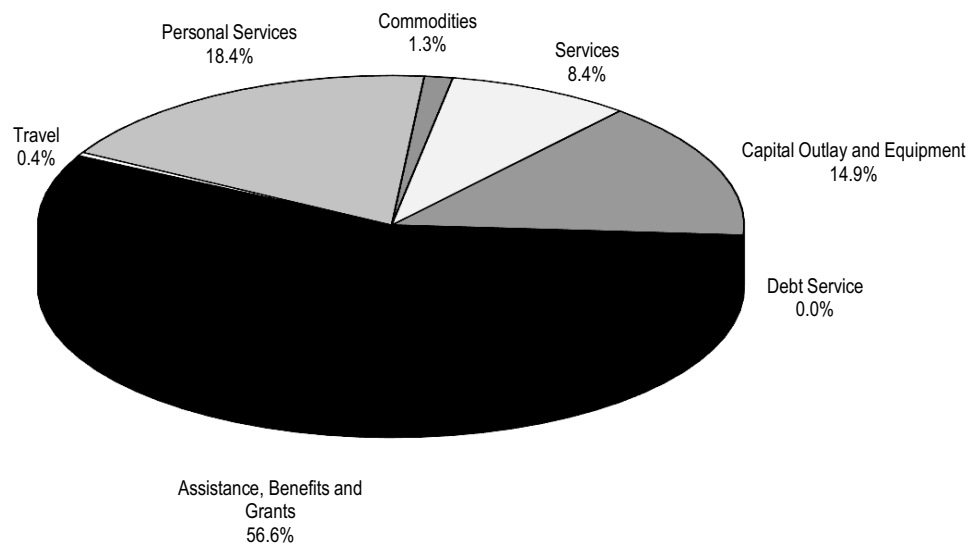


EXHIBIT 4

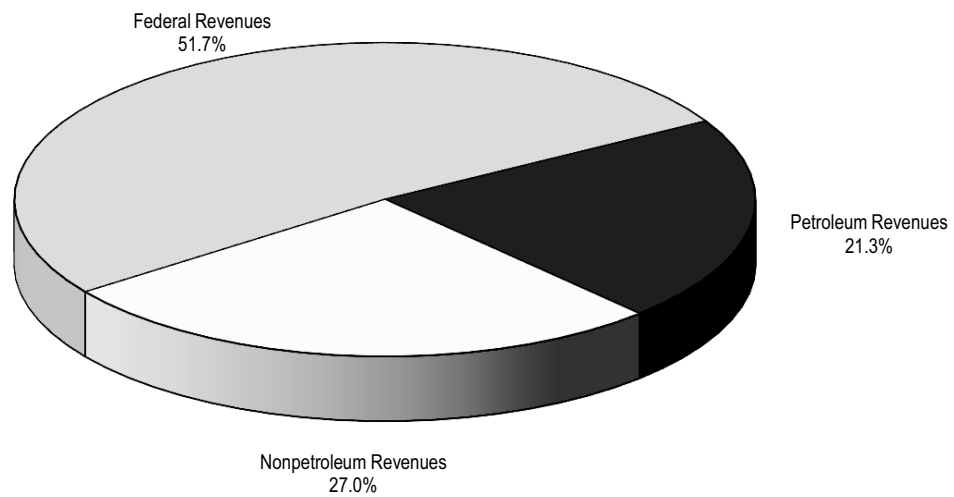
# STATE OF ALASKA GENERAL FUND EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



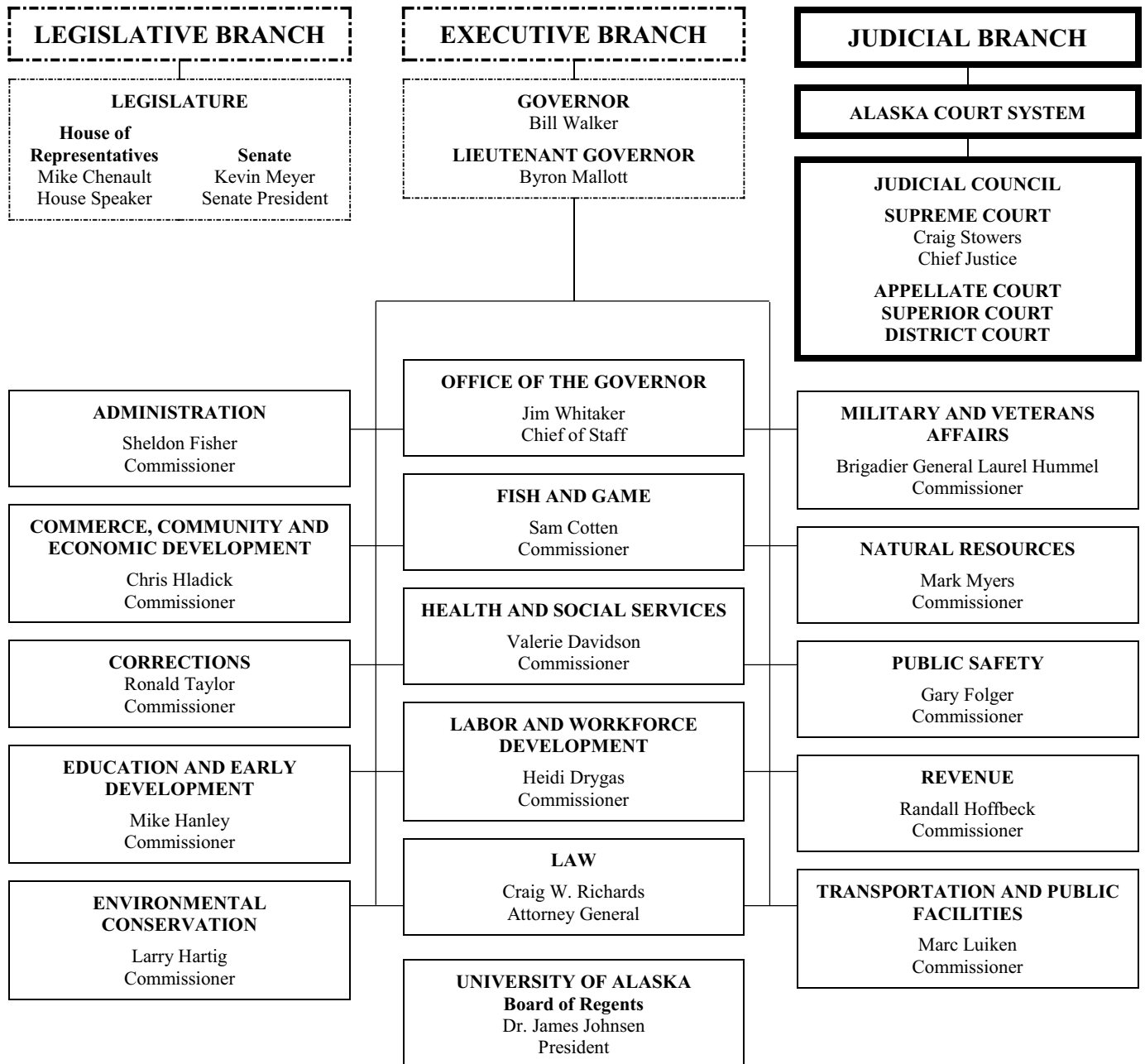
# STATE OF ALASKA GENERAL FUND REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



# STATE OF ALASKA ORGANIZATION CHART

## As of June 30, 2015



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

# FUNCTIONS OF STATE DEPARTMENTS

## **OFFICE OF THE GOVERNOR**

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

## **ADMINISTRATION**

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

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

## **COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT**

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

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

## **CORRECTIONS**

The Department of Corrections is responsible for public safety through the incarceration and supervision of offenders. The department operates 12 correctional facilities and jails that provide secure confinement and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and oversight of 15 small community jails. Also included in the department is the Alaska Board of Parole, a quasi-judicial board that makes all parole related decisions.

## **EDUCATION AND EARLY DEVELOPMENT**

The Department of Education and Early Development is responsible for Alaska's system of public education. The State Board of Education and Early Development is the executive board of the department. The board develops educational policy, promulgates regulations governing education, appoints the commissioner of Education and Early Development with the Governor's approval, and is the channel of communication between state government and the public for educational matters. Education policies are determined by the board and administered by the commissioner through department divisions. Programs administered include: public school funding, teacher certification, and student assessment. The department also operates Mt. Edgecumbe High School, the state's secondary boarding school program. The department administers the state libraries, archives, museum services, 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. Each of its eight divisions shares a department-wide service philosophy of delivering the right care to the right person at the right time for the right price.

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

The department is committed to prevention of illness, health promotion and protection, 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; collecting money owed to the state by businesses and individuals for child support, fines, and other unpaid obligations; and defending the state against claims for personal injury and other damages.

## **MILITARY AND VETERANS AFFAIRS**

The mission of the Department of Military and Veterans' Affairs is to provide forces to accomplish military missions in the state and around the world; provide 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 and has command over the approximately 4,000 Army and Air guardsmen of the Alaska National Guard, as well as overseeing these entities which serve the mission of the department as follows:

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

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

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

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

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

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

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

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

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

## **NATURAL RESOURCES**

The Department of Natural Resources manages the majority of state-owned land, water, and natural resources, except fish and game. These resources include approximately 100 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest; foster responsible commercial development and use of



state land and natural resources consistent with the public interest, for long-term wealth and employment; mitigate threats 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, and recreation; ensure sufficient data acquisition and assessment of land and resources to foster responsible resource development; and promote and encourage an agriculture industry within the state.

The department serves the state from offices located in 30 Alaskan communities, and encompasses the divisions of Agriculture; Forestry; Geological and Geophysical Surveys; Mining, Land, and Water; Oil & Gas; Parks and Outdoor Recreation; and Support Services; as well as the North Slope Gas Commercialization Office; the Office of Project Management and Permitting; the Mental Health Trust Land Office; the State Pipeline Coordinator's Office; the Citizens Advisory Commission on Federal Areas; the Natural Resources Conservation and Development Board; and the Seismic Hazards Safety Commission.

The department is responsible for managing the resources and revenues associated with the two largest oil and gas fields in North America and over 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, assist, provide technical assistance and lending services to over 700 farms; a comprehensive archive of indigenous plant materials; and a geologic sample archive representing more than 13 million feet of oil and gas exploration and production drilling, and 260,000 feet of mineral exploration core drilling throughout the state.

## **PUBLIC SAFETY**

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

## **REVENUE**

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

Management Board, Northern Tobacco Securitization Corporation, and the State Bond Committee.

## **TRANSPORTATION AND PUBLIC FACILITIES**

The Department of Transportation and Public Facilities is responsible for the planning, research, design, construction, maintenance, operation, and protection of all state transportation systems and many public facilities. This includes 249 state-owned airports and seaplane bases, 5,619 miles of state roads, 720 buildings ranging from maintenance shops to state office complexes, and 25 harbor facilities. In addition, the department owns and operates the Alaska Marine Highway System, serving 35 Alaskan communities, Bellingham, WA, and Prince Rupert, BC with a fleet of 11 ships. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of approximately 8,000 light- and heavy-duty vehicles and attachments for state departments, agencies, and offices.

# ALASKA STATE LEGISLATURE

## Twenty-Ninth Legislature, First Session (2015)

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

### LEADERSHIP

**STATE SENATE**  
Kevin Meyer, Senate President

**HOUSE OF REPRESENTATIVES**  
Mike Chenault, Speaker of the House

### FINANCE COMMITTEES

**STATE SENATE**  
Pete Kelly, Co-Chair  
Anna MacKinnon, Co-Chair  
Peter Micciche, Vice Chair

**HOUSE OF REPRESENTATIVES**  
Mark Neuman, Co-Chair  
Steve Thompson, Co-Chair  
Dan Saddler, Vice Chair

**Members:**  
Click Bishop, Mike Dunleavy,  
Lyman Hoffman, Donny Olson

**Members:**  
Bryce Edgmon, Les Gara, Lynn Gattis,  
David Guttenberg, Scott Kawasaki,  
Cathy Munoz, Lance Pruitt, Tammie Wilson

# 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, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

| <b><u>Opinion Unit</u></b>                        | <b><u>Percent of<br/>Assets</u></b> | <b><u>Percent of<br/>Revenues</u></b> |
|---|-------------------------------------|---------------------------------------|
| Governmental Activities                           | 88%                                 | 41%                                   |
| Business-Type Activities                          | 72%                                 | 48%                                   |
| Aggregate Discretely Presented<br>Component Units | 89%                                 | 94%                                   |
| Major Funds:                                      |                                     |                                       |
| General Fund                                      | 86%                                 | 5%                                    |
| Alaska Permanent Fund                             | 100%                                | 100%                                  |
| Alaska International Airports                     | 100%                                | 100%                                  |
| Aggregate Remaining<br>Fund Information           | 92%                                 | 90%                                   |

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.

### ***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, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2015, 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***

As discussed in Note 6 to the financial statements, the State of Alaska and its components adopted the provisions of *Governmental Accounting Standards Board (GASB) Statement Number 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Adoption of this statement resulted in the State of Alaska and the components recognizing their proportionate share of the pension plans' net pension liability, as well as recognizing most changes in the net pension liability within pension expense. Additionally, as discussed in Note 3, the adoption of this statement resulted in the restatement of net position as of June 30, 2014, for several entities presented. Our Opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison 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 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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Kris Curtis, CPA, CISA  
Legislative Auditor

Juneau, Alaska  
January 27, 2016



## 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, 2015. 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 15 by \$71.9 billion (net position). Of this amount, \$7.5 billion is invested in capital assets, \$47.4 billion is restricted for various purposes, and unrestricted net position is \$17.0 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 68, *Accounting and Financial Reporting for Pensions*, the State recorded \$752 thousand net pension asset, \$1,196 million deferred outflows of resources, \$6,057 million net pension liability, and \$704 million deferred inflows of resources for the primary government. This was the primary reason for the \$6.3 billion adjustment to the beginning unrestricted net position in fiscal year 2015. Before restatement, the primary government's total net position decreased by \$10.2 billion from the prior year. After restating beginning balances for GASB Statement 68, the primary government's total net position decreased by \$3.9 billion.

#### **Fund level**

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$69.4 billion, with \$22.7 billion unrestricted (includes committed, assigned, and unassigned), \$46.5 billion nonspendable, and \$247 million restricted to specific purposes such as development, debt, and education. The nonspendable fund balance includes \$45.6 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 \$15.5 billion. This is a decrease of \$6.7 billion from FY 14. The decrease is mainly attributable to \$3.0 billion payment to the PERS and TRS retirement plans, a \$943 thousand decrease in interest and investment income, and a \$2.5 billion decrease in taxes collected by the State.

#### **Long-term debt**

- As a result of this year's activity, after taking into account the effects of beginning balance of the net pension liability now recorded, the State's total long-term debt decreased by \$685 million (7.48 percent). The decrease in debt is primarily due to a decrease in the net pension liability after restating beginning balances, a decrease in general obligation bonds, as well as a decrease in outstanding revenue bonds. 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.
- 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, capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets in the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities in the government-wide statements, but are recorded as other financing sources in the governmental fund statements.

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

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

**Governmental funds** – Most of the State's basic services are reported in the governmental funds. Governmental funds include the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

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

As mentioned earlier, the State has only two major governmental funds, the Alaska Permanent Fund and the General Fund. Together these two funds represent 97.5 percent of total government-wide cash and investments and 95.5 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 5.5 percent of total government-wide liabilities (excluding component units). The proprietary funds financial statements present detail on this fund with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

### Notes to the Basic Financial Statements

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

### Additional Required Supplementary Information (RSI)

In addition to the basic financial statements and accompanying notes, this report 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 sources of changes in the net pension liability, components of the net pension liability and related ratios, and the net pension liability 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 \$71.9 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the State's net position (73.5 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 (\$45.6 billion) may not be spent.

The remainder of the State's net position (26.5 percent) represents net investment in capital assets (\$7.5 billion), resources that are subject to external restrictions of how they may be used (\$1.7 billion), and the remaining unrestricted net position of \$9.8 billion, which excludes \$7.2 billion that is in the Alaska Permanent Fund.

| <b>Net Position</b><br>(Stated in millions) |                            |                  |                             |                 |                             |                  |
|---|----------------------------|------------------|-----------------------------|-----------------|-----------------------------|------------------|
|   | Governmental<br>Activities |                  | Business-type<br>Activities |                 | Total<br>Primary Government |                  |
|   | FY 15                      | FY 14            | FY 15                       | FY 14           | FY 15                       | FY 14            |
| Current and Other Noncurrent Assets         | \$ 72,688                  | \$ 78,597        | \$ 1,381                    | \$ 1,313        | \$ 74,069                   | \$ 79,910        |
| Capital Assets                              | 7,397                      | 6,951            | 1,254                       | 1,312           | 8,651                       | 8,263            |
| <b>Total Assets</b>                         | <b>80,085</b>              | <b>85,548</b>    | <b>2,635</b>                | <b>2,625</b>    | <b>82,720</b>               | <b>88,173</b>    |
| <b>Deferred Outflows of Resources</b>       | <b>1,194</b>               | <b>6</b>         | <b>18</b>                   | <b>-</b>        | <b>1,212</b>                | <b>6</b>         |
| Long-term Liabilities                       | 7,903                      | 2,151            | 570                         | 521             | 8,473                       | 2,672            |
| Other Liabilities                           | 2,855                      | 3,385            | 20                          | 19              | 2,875                       | 3,404            |
| <b>Total Liabilities</b>                    | <b>10,758</b>              | <b>5,536</b>     | <b>590</b>                  | <b>540</b>      | <b>11,348</b>               | <b>6,076</b>     |
| <b>Deferred Inflows of Resources</b>        | <b>695</b>                 | <b>-</b>         | <b>8</b>                    | <b>-</b>        | <b>703</b>                  | <b>-</b>         |
| Net Position:                               |                            |                  |                             |                 |                             |                  |
| Net Investment in Capital Assets            | 6,683                      | 6,205            | 817                         | 868             | 7,500                       | 7,073            |
| Restricted                                  | 46,443                     | 45,797           | 940                         | 866             | 47,383                      | 46,663           |
| Unrestricted                                | 16,700                     | 28,016           | 298                         | 351             | 16,998                      | 28,367           |
| <b>Total Net Position</b>                   | <b>\$ 69,826</b>           | <b>\$ 80,018</b> | <b>\$ 2,055</b>             | <b>\$ 2,085</b> | <b>\$ 71,881</b>            | <b>\$ 82,103</b> |

The FY 14 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. See Note 3

The net position of governmental activities decreased \$10,192 million, of which, \$6,205 million is related to GASB Statement 68 implementation. The business-type activities decreased \$30 million which is made up of an increase of \$38 million as a result of current year operations and a decrease of \$68 million after implementing GASB Statement 68.

The remaining decrease in governmental activities is primarily due to a \$3.0 billion payment made to the PERS and TRS retirement plans, a \$5.4 billion decrease in interest and investment income, and a \$2.5 billion decrease in taxes collected by the State. The decrease in business-type activities is primarily due to the Knik Arm Bridge Toll and Authority's assets and operations turning over to the primary government as well as a decrease in overall revenues.

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 15.

| <b>Changes in Net Position</b>              |                            |                  |                             |                 |                             |                  |
|---|----------------------------|------------------|-----------------------------|-----------------|-----------------------------|------------------|
| (Stated in millions)                        |                            |                  |                             |                 |                             |                  |
|   | Governmental<br>Activities |                  | Business-type<br>Activities |                 | Total Primary<br>Government |                  |
|   | FY 15                      | FY 14            | FY 15                       | FY 14           | FY 15                       | FY 14            |
| <b>Revenues</b>                             |                            |                  |                             |                 |                             |                  |
| Program Revenues                            |                            |                  |                             |                 |                             |                  |
| Charges for Services                        | \$ 2,100                   | \$ 2,928         | \$ 333                      | \$ 372          | \$ 2,433                    | \$ 3,300         |
| Operating Grants                            | 1,918                      | 1,810            | -                           | 26              | 1,918                       | 1,836            |
| Capital Grants                              | 769                        | 681              | 69                          | 80              | 838                         | 761              |
| General Revenues                            |                            |                  |                             |                 |                             |                  |
| Taxes                                       | 513                        | 2,974            | -                           | -               | 513                         | 2,974            |
| Interest and Investment Income/(Loss)       | 2,833                      | 8,236            | (10)                        | (14)            | 2,823                       | 8,222            |
| Payments In from Component Units            | 14                         | 23               | -                           | -               | 14                          | 23               |
| Other Revenues                              | 34                         | 60               | 1                           | 5               | 35                          | 65               |
| <b>Total Revenues</b>                       | <b>8,181</b>               | <b>16,712</b>    | <b>393</b>                  | <b>469</b>      | <b>8,574</b>                | <b>17,181</b>    |
| <b>Expenses</b>                             |                            |                  |                             |                 |                             |                  |
| General Government                          | 851                        | 554              | -                           | -               | 851                         | 554              |
| Alaska Permanent Fund Dividend              | 1,203                      | 571              | -                           | -               | 1,203                       | 571              |
| Education and University                    | 4,194                      | 2,676            | -                           | -               | 4,194                       | 2,676            |
| Health and Human Services                   | 2,771                      | 2,587            | -                           | -               | 2,771                       | 2,587            |
| Law and Justice                             | 259                        | 270              | -                           | -               | 259                         | 270              |
| Public Protection                           | 791                        | 805              | -                           | -               | 791                         | 805              |
| Natural Resources                           | 475                        | 383              | -                           | -               | 475                         | 383              |
| Development                                 | 421                        | 1,123            | 61                          | 5               | 482                         | 1,128            |
| Transportation                              | 1,278                      | 1,404            | -                           | -               | 1,278                       | 1,404            |
| Intergovernmental                           | 134                        | 262              | -                           | -               | 134                         | 262              |
| Debt Service                                | 66                         | 65               | -                           | -               | 66                          | 65               |
| Loans                                       | -                          | -                | 11                          | 10              | 11                          | 10               |
| Unemployment Compensation                   | -                          | -                | 143                         | 196             | 143                         | 196              |
| Airports                                    | -                          | -                | 150                         | 158             | 150                         | 158              |
| <b>Total Expenses</b>                       | <b>12,443</b>              | <b>10,700</b>    | <b>365</b>                  | <b>369</b>      | <b>12,808</b>               | <b>11,069</b>    |
| Excess (Deficiency) of Revenues             |                            |                  |                             |                 |                             |                  |
| Over Expenditures                           | (4,262)                    | 6,012            | 28                          | 100             | (4,234)                     | 6,112            |
| Transfers                                   | (11)                       | (1)              | 11                          | 1               | -                           | -                |
| Change in Net Position                      | (4,273)                    | 6,011            | 39                          | 101             | (4,234)                     | 6,112            |
| Net Position - Beginning of Year (restated) | 73,813                     | 74,018           | 2,016                       | 1,984           | 75,829                      | 76,002           |
| Prior Period Adjustment                     | 286                        | (11)             | -                           | -               | 286                         | (11)             |
| <b>Net Position - End of Year</b>           | <b>\$ 69,826</b>           | <b>\$ 80,018</b> | <b>\$ 2,055</b>             | <b>\$ 2,085</b> | <b>\$ 71,881</b>            | <b>\$ 82,103</b> |

For FY 15, the amount of net position – beginning of year being restated for governmental activities is \$6,205 million and \$68 million for business-type activities in relation to the implementation of GASB Statement 68. The FY 14 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. Additional information regarding the restatement of net position can be found in Note 3 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 \$69.4 billion, a decrease of \$5.2 billion in comparison with the prior year. This decrease is primarily due to an increase in expenditures for an additional payment made to the PERS and TRS retirement plans, a decrease in interest and investment income as well as a decrease in taxes collected by the State.

The General Fund unassigned and committed fund balances, which are available for spending at the government's discretion, had balances of \$10.5 billion, and \$5.0 billion, respectively. The Alaska Permanent Fund (earnings reserve account) had an assigned fund balance of \$7.2 billion, and the remaining nonmajor governmental funds had committed fund balances of \$74.2 million. The remainder of fund balance is restricted or nonspendable to indicate that it is not available for new spending such as the principal of the Alaska Permanent Fund (\$45.6 billion), and other items that are nonspendable, such as inventory, advances and prepaid items, and principal (\$844 million), and amounts restricted for a variety of other purposes (\$247 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 \$15.5 billion, while total fund balance reached \$15.8 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 118 percent of total General Fund expenditures, while total fund balance represents 121 percent of that same amount.

The fund balance of the State's General Fund decreased by \$6.7 billion during the current fiscal year. For FY 15, the most significant source of revenue was federal revenues (51.8 percent) followed by rents and royalties (22.8 percent). Even with the decline in petroleum related revenues, Rents and Royalties and Taxes continue to be a significant source of income.

General Fund revenues for FY 15 were \$4.9 billion, a decrease of \$3.9 billion compared to revenues of \$8.8 billion for FY 14. Revenues by source for FY 15 are compared to FY 14 in the following schedule (in millions):

| Revenue Source                        | FY 15             | Percent       | FY 14             | Percent       |
|---------------------------------------|-------------------|---------------|-------------------|---------------|
| Taxes                                 | \$ 491.7          | 10.1%         | \$ 2,954.3        | 33.5%         |
| Rents and Royalties                   | 1,106.1           | 22.8%         | 1,764.5           | 20.0%         |
| Interest and Investment Income/(Loss) | 336.9             | 6.9%          | 1,279.6           | 14.5%         |
| Federal                               | 2,512.7           | 51.8%         | 2,410.5           | 27.4%         |
| Miscellaneous                         | 406.0             | 8.4%          | 402.1             | 4.6%          |
| Total Revenue                         | <u>\$ 4,853.4</u> | <u>100.0%</u> | <u>\$ 8,811.0</u> | <u>100.0%</u> |

The primary component of this revenue decrease is petroleum related income as well as interest and investment income compared to the previous year. In FY 15, amounts paid out for tax credits (\$628 million) were more than what was collected for petroleum related severance taxes resulting in a significant reduction in tax revenue. The General Fund received \$943 million less in interest and investment income revenue during FY 15.

### Alaska Permanent Fund

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

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

The fund is made up of two parts.

- **Nonspendable Fund Balances:** The nonspendable fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2015, this amounted to \$39.2 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: \$15.9 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 \$6.5 billion.

- **Assigned Fund Balances:** The assigned fund balances, which are available for legislative appropriation per AS 37.13.145, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2015, realized earnings (both gains and losses) have amounted to \$50.6 billion. Of this amount \$23.1 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, \$536 million has been paid out to the General Fund, and \$6.5 billion remains in the fund at June 30, 2015 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 \$1.0 billion.

### General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a \$1.7 billion increase in appropriations (or 8 percent) and can be briefly summarized as follows:

- \$1,203.8 million increase allocated to education
- \$206.9 million increase allocated to transportation
- \$128.8 million increase allocated to public protection
- The balance is allocated across several expenditure functions

Of this overall increase in appropriated expenditures, \$269.5 million was funded out of an increase in interagency receipts, which represent purchases between departments. The remaining increase was funded with money transferred from the Statutory Budget Reserve Fund (SBR) of \$2,503 million. Please see Note 2 for additional information on the SBR.

Budgets for these program areas are difficult to predict. It is not unusual for additional budget authority to be granted when new funding sources become available. However, the increase in the final budget for education is easily identifiable. The increase in budgetary authority for the education function is mainly attributable to additional funding necessary to support the education formula-driven programs within the Public Education Fund, a subfund of the General Fund. Expenditures for public education and pupil transportation are not included in the original budget.

The difference between the final amended budget and actual expenditures was a \$5.8 billion decrease (or 27 percent) primarily due to a \$4,378.9 million decrease in transportation 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, 2015, amounts to \$7.5 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 15 totaled \$450 million for governmental activities and \$65 million for business-type activities.

**Capital Assets**  
(net of depreciation, in millions)

|                             | Governmental<br>Activities |                 | Business-type<br>Activities |                 | Total Primary<br>Government |                 |
|-----------------------------|----------------------------|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|
|                             | FY 15                      | FY 14           | FY 15                       | FY 14           | FY 15                       | FY 14           |
| Land                        | \$ 968                     | \$ 936          | \$ 31                       | \$ 31           | \$ 999                      | \$ 967          |
| Buildings                   | 1,343                      | 1,331           | 735                         | 739             | 2,078                       | 2,070           |
| Equipment                   | 442                        | 461             | 30                          | 33              | 472                         | 494             |
| Infrastructure              | 2,831                      | 2,675           | 397                         | 413             | 3,228                       | 3,088           |
| Construction in Progress    | 1,812                      | 1,548           | 60                          | 96              | 1,872                       | 1,644           |
| <b>Total Capital Assets</b> | <b>\$ 7,396</b>            | <b>\$ 6,951</b> | <b>\$ 1,253</b>             | <b>\$ 1,312</b> | <b>\$ 8,649</b>             | <b>\$ 8,263</b> |

In FY 15, increases were primarily in infrastructure and construction in progress with an increase of \$140 million and \$228 million respectively. Additional information on the State's capital assets can be found in Note 5 in the notes to the basic financial statements.

**Long-term debt.** At the end of the current fiscal year, the State had total bonded debt outstanding of \$1,536 million. Of this amount, \$657 million was general obligation bonds, and \$879 million of revenue bonds payable comprised of \$349 million issued by the Northern Tobacco Securitization Corporation (NTSC), \$33 million of sport fishing revenue bonds, and \$497 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 \$497 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<br>Activities |                   | Business-type<br>Activities |                   | Total Primary<br>Government |                   |
|-------------------------------|----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|                               | FY 15                      | FY 14<br>Restated | FY 15                       | FY 14<br>Restated | FY 15                       | FY 14<br>Restated |
| Revenue Bonds Payable         | \$ 382                     | \$ 391            | \$ 497                      | \$ 514            | \$ 879                      | \$ 905            |
| General Obligation Debt       | 657                        | 692               | -                           | -                 | 657                         | 692               |
| Capital Leases Payable        | 318                        | 333               | -                           | -                 | 318                         | 333               |
| Unearned Revenues             | 45                         | 49                | 1                           | 1                 | 46                          | 50                |
| Certificates of Participation | 35                         | 3                 | -                           | -                 | 35                          | 3                 |
| Compensated Absences          | 176                        | 178               | 5                           | 5                 | 181                         | 183               |
| Claims and Judgments          | 156                        | 142               | -                           | -                 | 156                         | 142               |
| Pollution Remediation         | 143                        | 78                | 1                           | 1                 | 144                         | 79                |
| Other Noncurrent Liabilities  | 1                          | 1                 | -                           | -                 | 1                           | 1                 |
| Net Pension Liability         | 5,990                      | 6,696             | 66                          | 74                | 6,056                       | 6,770             |
| <b>Total</b>                  | <b>\$ 7,903</b>            | <b>\$ 8,563</b>   | <b>\$ 570</b>               | <b>\$ 595</b>     | <b>\$ 8,473</b>             | <b>\$ 9,158</b>   |



The State's total long-term debt decreased by \$685 million (7.48 percent) during FY 15. The decrease in debt is primarily due to a decrease in the net pension liability after restating beginning balances, a decrease in general obligation bonds, as well as a decrease in outstanding revenue bonds.

While implementing GASB Statement 68, the State of Alaska reported net pension liability in relation to a special funding situation in the amount of \$3,542 million. 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.

Additional information regarding the restated balances for FY 14 and of the State's long-term debt can be found in Notes 3 and 6 respectively, in the notes to the basic financial statements.

### **Significant Facts**

While the General Fund revenue decreased by \$4.0 billion over all, petroleum related revenue decreased by \$3.2 billion between FY 14 and FY15. The decrease is primarily related to the fall in oil prices, fall in production, and payments of tax credits.

The Public Employee's Retirement System's (PERS) investment income decreased \$1.9 billion to \$479.6 million during fiscal year 2015. The Teacher's Retirement System's (TRS) net investment income decreased \$761.4 million to \$235.9 million during fiscal year 2015. To help with the net pension liability, in FY 15, the legislature appropriated \$1.0 billion to the PERS retirement fund and \$2.0 billion to the TRS fund from the Constitutional Budget Reserve Fund.

Another significant factor affecting interest and investment revenues was a decrease of \$4.5 billion between FY 14 and FY 15 for the Alaska Permanent Fund (APF). In FY 14 the APF experienced investment income gain of \$7.0 billion, compared to a gain of \$2.5 billion in FY 15. The APF experienced a total fund return of 4.91 percent for FY 15. FY 2015's results are slightly above 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 15 was 6.6 percent, which is lower than the adjusted average unemployment rate for FY 14 of 6.9 percent. Alaska's five year average (2011 to 2015) was 7.1 percent. The United States unemployment rate for FY 15 was 5.2 percent.
- Total General Fund revenue for FY 15 was \$4.9 billion. Two sources of revenue accounted for 78.8 percent of total state revenue; federal and nonpetroleum revenues. Federal accounted for 51.8 percent and nonpetroleum related revenues accounted for 27.0 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 decline as a result in decreased production and a decrease in oil prices.
- FY 15 crude oil and natural gas liquids production in the State of Alaska for the North Slope and Cook Inlet areas averaged 515 thousand barrels per day. This is 32 thousand barrels per day less than in the prior year. While the Cook Inlet saw an increase in production, this was not enough to offset the overall production decrease and the decrease in oil prices.
- The State of Alaska FY 15 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 (\$1,884/resident) was paid to each qualifying Alaskan for a total of \$1,203 million.

### **Requests for Information**

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



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# Basic Financial Statements

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STATE OF ALASKA  
Statement of Net Position  
Government-wide  
June 30, 2015  
(Stated in Thousands)

STATEMENT 1.01

|   | Primary Government         |                             |               |                    |
|---|----------------------------|-----------------------------|---------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         | Component<br>Units |
| <b>ASSETS</b>   |                            |                             |               |                    |
| Cash and Investments  | \$ 70,147,313              | \$ 819,488                  | \$ 70,966,801 | \$ 2,554,560       |
| Accounts Receivable - Net   | 628,463                    | 36,463                      | 664,926       | 54,516             |
| Interest and Dividends Receivable                                     | 134,966                    | 16,278                      | 151,244       | 38,618             |
| Internal Balances   | 39,717                     | (39,717)                    | -             | -                  |
| Due from Primary Government   | -                          | -                           | -             | 53,661             |
| Due from Component Units  | 20,917                     | -                           | 20,917        | 3,472              |
| Due from Other Governments  | 505,670                    | 3,005                       | 508,675       | 49,083             |
| Loans, Notes, and Bonds Receivable                                    | 17,018                     | 435,022                     | 452,040       | 4,068,089          |
| Inventories   | 22,423                     | -                           | 22,423        | 16,669             |
| Reposessed Property   | -                          | 1,479                       | 1,479         | 175                |
| Net Investment in Direct Financing Leases                             | -                          | -                           | -             | 217,423            |
| Investments in Projects, Partnerships,<br>or Corporations             | -                          | 2,787                       | 2,787         | 39,411             |
| Restricted Assets   | 28,633                     | 105,148                     | 133,781       | 2,371,065          |
| Securities Lending Collateral   | 896,616                    | -                           | 896,616       | 7,842              |
| Net Pension Asset   | 752                        | -                           | 752           | -                  |
| Other Assets  | 245,561                    | 1,219                       | 246,780       | 56,536             |
| Capital Assets:   |                            |                             |               |                    |
| Equipment, Net of Depreciation  | 442,042                    | 30,391                      | 472,433       | 256,539            |
| Buildings, Net of Depreciation  | 1,343,059                  | 735,096                     | 2,078,155     | 1,270,151          |
| Infrastructure, Net of Depreciation                                   | 2,831,439                  | 396,837                     | 3,228,276     | 1,022,451          |
| Museum Collections  | -                          | -                           | -             | 7,169              |
| Land / Right-of-Way   | 968,099                    | 31,202                      | 999,301       | 113,763            |
| Construction in Progress  | 1,812,265                  | 59,947                      | 1,872,212     | 463,175            |
| Total Assets  | 80,084,953                 | 2,634,645                   | 82,719,598    | 12,664,368         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |                            |                             |               |                    |
| Change in Fair Value-Interest Rate Swaps                              | -                          | -                           | -             | 147,682            |
| Deferred Charge on Bond Refundings                                    | 16,468                     | -                           | 16,468        | 22,684             |
| Deferred Outflows Related to Pensions                                 | 1,177,383                  | 18,286                      | 1,195,669     | 22,331             |
| Total Deferred Outflows of Resources                                  | 1,193,851                  | 18,286                      | 1,212,137     | 192,697            |
| <b>LIABILITIES</b>  |                            |                             |               |                    |
| Accounts Payable and Accrued Liabilities                              | 1,766,200                  | 9,216                       | 1,775,416     | 153,446            |
| Obligations Under Securities Lending                                  | 896,616                    | -                           | 896,616       | 7,842              |
| Due to Primary Government   | -                          | -                           | -             | 86,028             |
| Due to Component Units  | 17,217                     | -                           | 17,217        | 17,779             |
| Due to Other Governments  | 28                         | 4,111                       | 4,139         | 1,126              |
| Interest Payable  | 14,088                     | 5,844                       | 19,932        | 29,373             |
| Derivative Instruments  | -                          | -                           | -             | 150,199            |
| Bond Anticipation Note Payable  | 160,677                    | -                           | 160,677       | -                  |
| Other Current Liabilities   | 1                          | 582                         | 583           | 39,575             |
| Long-term Liabilities:  |                            |                             |               |                    |
| Portion Due or Payable Within One Year:                               |                            |                             |               |                    |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | 233,262                    | 4,029                       | 237,291       | 17,522             |
| Unearned Revenue  | 31,139                     | 865                         | 32,004        | 71,218             |
| Notes, Bonds, and Leases Payable                                      | 85,392                     | 16,725                      | 102,117       | 193,373            |
| Other Noncurrent Liabilities  | 347                        | -                           | 347           | 475                |
| Portion Due or Payable After One Year:                                |                            |                             |               |                    |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | 241,348                    | 1,747                       | 243,095       | 4,900              |
| Unearned Revenue  | 13,855                     | -                           | 13,855        | 62,480             |
| Notes, Bonds, and Leases Payable                                      | 1,306,718                  | 480,430                     | 1,787,148     | 3,635,562          |
| Net Pension Liabilities   | 5,990,183                  | 66,449                      | 6,056,632     | 236,020            |
| Other Noncurrent Liabilities  | 514                        | -                           | 514           | 19,352             |
| Total Liabilities   | 10,757,585                 | 589,998                     | 11,347,583    | 4,726,270          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                            |                             |               |                    |
| Grant Revenue   | -                          | -                           | -             | 597,616            |
| Deferred Inflows Related to Pensions                                  | 695,507                    | 8,067                       | 703,574       | 28,535             |
| Total Deferred Inflows of Resources                                   | 695,507                    | 8,067                       | 703,574       | 626,151            |
| <b>NET POSITION</b>   |                            |                             |               |                    |
| Net Investment in Capital Assets                                      | 6,683,296                  | 817,436                     | 7,500,732     | 2,157,934          |
| Restricted for:   |                            |                             |               |                    |
| Permanent Funds   |                            |                             |               |                    |
| Nonexpendable   | 46,210,518                 | -                           | 46,210,518    | 440,846            |
| Expendable  | 15,843                     | -                           | 15,843        | 145,906            |
| Education   | 75,892                     | -                           | 75,892        | 669,717            |
| Development   | 78,003                     | -                           | 78,003        | 216,273            |
| Unemployment Compensation   | -                          | 429,285                     | 429,285       | -                  |
| Health and Human Services   | 16,680                     | 465,877                     | 482,557       | -                  |
| Debt Service  | 40,689                     | 22,092                      | 62,781        | 621,225            |
| Other Purposes  | 5,347                      | 22,159                      | 27,506        | 1,271,456          |
| Unrestricted  | 16,699,444                 | 298,017                     | 16,997,461    | 1,981,287          |
| Total Net Position  | \$ 69,825,712              | \$ 2,054,866                | \$ 71,880,578 | \$ 7,504,644       |

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, 2015  
(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 |
| <b>Primary Government:</b>                         |                      |  |                                    |                                  |
| Governmental Activities:                           |                      |  |                                    |                                  |
| General Government                                 | \$ 850,593           | \$ 12,316                                      | \$ 37,459                          | \$ 531                           |
| Alaska Permanent Fund Dividend                     | 1,203,234            | -  | -                                  | -                                |
| Education  | 3,540,700            | 3,705  | 219,424                            | 121                              |
| University   | 653,383              | 40   | 1,754                              | -                                |
| Health and Human Services                          | 2,770,978            | 50,513   | 1,335,641                          | 31,311                           |
| Law and Justice                                    | 259,017              | 17,140   | 22,988                             | 427                              |
| Public Protection                                  | 791,136              | 174,986  | 78,899                             | 6,698                            |
| Natural Resources                                  | 475,146              | 1,768,465                                      | 79,310                             | 21,178                           |
| Development  | 420,544              | 3,224  | 63,091                             | 2,751                            |
| Transportation                                     | 1,278,527            | 69,890   | 56,619                             | 705,811                          |
| Intergovernmental Revenue Sharing                  | 134,239              | -  | 22,501                             | -                                |
| Debt Service                                       | 65,808               | -  | -                                  | 25                               |
| Total Governmental Activities                      | <u>12,443,305</u>    | <u>2,100,279</u>                               | <u>1,917,686</u>                   | <u>768,853</u>                   |
| Business-type Activities:                          |                      |  |                                    |                                  |
| Loans  | 10,518               | 11,062   | 521                                | 18,424                           |
| Unemployment Compensation                          | 142,702              | 185,476  | -                                  | 39                               |
| Airports   | 150,341              | 134,361  | -                                  | 50,354                           |
| Development  | 61,220               | 1,602  | -                                  | 159                              |
| Total Business-type Activities                     | <u>364,781</u>       | <u>332,501</u>                                 | <u>521</u>                         | <u>68,976</u>                    |
| Total Primary Government                           | <u>\$ 12,808,086</u> | <u>\$ 2,432,780</u>                            | <u>\$ 1,918,207</u>                | <u>\$ 837,829</u>                |
| <b>Component Units:</b>                            |                      |  |                                    |                                  |
| University of Alaska                               | \$ 970,350           | \$ 188,743                                     | \$ 212,150                         | \$ 125,415                       |
| Alaska Housing Finance Corporation                 | 285,419              | 135,688  | 50,276                             | 97,177                           |
| Alaska Industrial Development and Export Authority | 39,048               | 47,081   | 1,042                              | 13,694                           |
| Nonmajor Component Units                           | 519,606              | 239,372  | 88,939                             | 98,382                           |
| Total Component Units                              | <u>\$ 1,814,423</u>  | <u>\$ 610,884</u>                              | <u>\$ 352,407</u>                  | <u>\$ 334,668</u>                |

General Revenues:

Taxes:

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

Interest and Investment Income (Loss)

Tobacco Settlement

Payments In from Component Units

Payments In from Primary Government

Other Revenues

Transfers - Internal Activity

Contributions

Total General Revenues, Transfers, and Contributions

Change in Net Position

Net Position - Beginning of Year (restated)

Prior Period Adjustment

Net Position - End of Year

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

STATEMENT 1.02

| Net (Expense) Revenue and Changes in Net Position |                             |                      |                     |
|---|-----------------------------|----------------------|---------------------|
| Primary Government                                |                             |                      |                     |
| Governmental<br>Activities                        | Business-type<br>Activities | Total                | Component<br>Units  |
| \$ (800,287)                                      | \$                          | \$ (800,287)         | \$                  |
| (1,203,234)                                       |                             | (1,203,234)          |                     |
| (3,317,450)                                       |                             | (3,317,450)          |                     |
| (651,589)   |                             | (651,589)            |                     |
| (1,353,513)                                       |                             | (1,353,513)          |                     |
| (218,462)   |                             | (218,462)            |                     |
| (530,553)   |                             | (530,553)            |                     |
| 1,393,807   |                             | 1,393,807            |                     |
| (351,478)   |                             | (351,478)            |                     |
| (446,207)   |                             | (446,207)            |                     |
| (111,738)   |                             | (111,738)            |                     |
| (65,783)  |                             | (65,783)             |                     |
| <u>(7,656,487)</u>                                |                             | <u>(7,656,487)</u>   |                     |
|   | 19,489                      | 19,489               |                     |
|   | 42,813                      | 42,813               |                     |
|   | 34,374                      | 34,374               |                     |
|   | (59,459)                    | (59,459)             |                     |
|   | <u>37,217</u>               | <u>37,217</u>        |                     |
| <u>(7,656,487)</u>                                | <u>37,217</u>               | <u>(7,619,270)</u>   |                     |
|   |                             |                      | (444,042)           |
|   |                             |                      | (2,278)             |
|   |                             |                      | 22,769              |
|   |                             |                      | <u>(92,913)</u>     |
|   |                             |                      | <u>(516,464)</u>    |
| (106,738)   | -                           | (106,738)            | 9,475               |
| 250,283   | -                           | 250,283              | -                   |
| 239,379   | -                           | 239,379              | -                   |
| 127,821   | -                           | 127,821              | -                   |
| 2,592   | -                           | 2,592                | -                   |
| 2,832,768   | (10,155)                    | 2,822,613            | 55,183              |
| 29,175  | -                           | 29,175               | -                   |
| 14,106  | -                           | 14,106               | 481                 |
| -   | -                           | -                    | 535,671             |
| 4,641   | 890                         | 5,531                | 4,331               |
| (10,544)  | 10,544                      | -                    | -                   |
| -   | -                           | -                    | 6,213               |
| <u>3,383,483</u>                                  | <u>1,279</u>                | <u>3,384,762</u>     | <u>611,354</u>      |
| (4,273,004)                                       | 38,496                      | (4,234,508)          | 94,890              |
| 73,813,194  | 2,016,370                   | 75,829,564           | 7,409,754           |
| 285,522   | -                           | 285,522              | -                   |
| <u>\$ 69,825,712</u>                              | <u>\$ 2,054,866</u>         | <u>\$ 71,880,578</u> | <u>\$ 7,504,644</u> |



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# Governmental Funds Financial Statements

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## MAJOR FUNDS

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

## NONMAJOR FUNDS

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



STATE OF ALASKA  
Balance Sheet  
Governmental Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 1.11

|  | General<br>Fund      | Alaska<br>Permanent<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------|-------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                             |                   |                                |
| Cash and Investments                                   | \$ 14,814,962        | \$ 54,380,683               | \$ 855,683        | \$ 70,051,328                  |
| Accounts Receivable - Net                              | 143,736              | 460,908                     | 2,502             | 607,146                        |
| Interest and Dividends Receivable                      | 1,593                | 133,333                     | 40                | 134,966                        |
| Due from Other Funds                                   | 1,478,198            | 28,576                      | 47,605            | 1,554,379                      |
| Due from Component Units                               | 20,154               | -                           | 763               | 20,917                         |
| Due from Other Governments                             | 492,309              | -                           | 5,520             | 497,829                        |
| Loans, Notes, and Bonds Receivable                     | 16,951               | -                           | 67                | 17,018                         |
| Inventories  | 18,500               | -                           | -                 | 18,500                         |
| Securities Lending Collateral                          | -                    | 896,616                     | -                 | 896,616                        |
| Other Assets   | 185,586              | -                           | 52,631            | 238,217                        |
| Total Assets   | <u>\$ 17,171,989</u> | <u>\$ 55,900,116</u>        | <u>\$ 964,811</u> | <u>\$ 74,036,916</u>           |
| <b>LIABILITIES</b>                                     |                      |                             |                   |                                |
| Accounts Payable and Accrued Liabilities               | \$ 892,041           | \$ 805,855                  | \$ 16,305         | \$ 1,714,201                   |
| Obligations Under Securities Lending                   | -                    | 896,616                     | -                 | 896,616                        |
| Due to Other Funds                                     | 123,915              | 1,397,146                   | 14,803            | 1,535,864                      |
| Due to Component Units                                 | 17,217               | -                           | -                 | 17,217                         |
| Due to Other Governments                               | 28                   | -                           | -                 | 28                             |
| Unearned Revenue                                       | 44,861               | -                           | 133               | 44,994                         |
| Interest Payable                                       | -                    | -                           | 2,099             | 2,099                          |
| Bond Anticipation Note Payable                         | -                    | -                           | 160,677           | 160,677                        |
| Other Liabilities                                      | 347                  | -                           | 515               | 862                            |
| Total Liabilities                                      | <u>1,078,409</u>     | <u>3,099,617</u>            | <u>194,532</u>    | <u>4,372,558</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                      |                             |                   |                                |
| Unavailable Revenue                                    | 261,677              | -                           | 427               | 262,104                        |
| Total Deferred Inflows of Resources                    | <u>261,677</u>       | <u>-</u>                    | <u>427</u>        | <u>262,104</u>                 |
| <b>FUND BALANCES</b>                                   |                      |                             |                   |                                |
| Nonspendable:  |                      |                             |                   |                                |
| Inventory  | 18,509               | -                           | -                 | 18,509                         |
| Principal  | -                    | 45,638,093                  | 572,425           | 46,210,518                     |
| Advances and Prepaid Items                             | 200,681              | -                           | 52,596            | 253,277                        |
| Restricted for:  |                      |                             |                   |                                |
| Debt Service   | 10                   | -                           | 43,090            | 43,100                         |
| Education  | 14,594               | -                           | 61,298            | 75,892                         |
| Health and Human Services                              | 29,261               | -                           | 16,042            | 45,303                         |
| Development  | 35,247               | -                           | 42,546            | 77,793                         |
| Other Purposes   | 4,857                | -                           | 171               | 5,028                          |
| Committed to:  |                      |                             |                   |                                |
| Debt Service   | 1,375                | -                           | -                 | 1,375                          |
| Education  | 1,064,459            | -                           | 15,843            | 1,080,302                      |
| Health and Human Services                              | 216,774              | -                           | -                 | 216,774                        |
| Public Protection                                      | 186,718              | -                           | -                 | 186,718                        |
| Permanent Fund   | 1,391,430            | -                           | -                 | 1,391,430                      |
| Development  | 1,981,222            | -                           | 58,375            | 2,039,597                      |
| Other Purposes   | 153,766              | -                           | -                 | 153,766                        |
| Assigned to:   |                      |                             |                   |                                |
| Permanent Fund   | -                    | 7,162,406                   | -                 | 7,162,406                      |
| Unassigned:  | 10,533,000           | -                           | (92,534)          | 10,440,466                     |
| Total Fund Balances                                    | <u>15,831,903</u>    | <u>52,800,499</u>           | <u>769,852</u>    | <u>69,402,254</u>              |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 17,171,989</u> | <u>\$ 55,900,116</u>        | <u>\$ 964,811</u> | <u>\$ 74,036,916</u>           |

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

**STATE OF ALASKA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 1.12**

**Total Fund Balances - Governmental Funds** \$ 69,402,254

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      | 253,816   |           |
| Buildings, net of depreciation      | 1,235,648 |           |
| Infrastructure, net of depreciation | 2,831,439 |           |
| Land / right-of-way                 | 968,099   |           |
| Construction in progress            | 1,790,124 |           |
|                                     |           | 7,079,126 |

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 | 7,841 |       |
| Net pension asset (Note 7)                         | 752   |       |
| Other post employment benefits asset (Note 7)      | 760   |       |
| Unamortized bond issuance cost                     | 2     |       |
|  |       | 9,355 |

Deferred outflows of resources that are not reported in the funds.

|                          |           |           |
|--------------------------|-----------|-----------|
| Losses on bond refunding | 16,468    |           |
| Related to pensions      | 1,164,669 |           |
|                          |           | 1,181,137 |

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).

390,611

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

262,104

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 | (155,766)   |             |
| Compensated absences                               | (172,639)   |             |
| Pollution remediation                              | (142,632)   |             |
| Capital lease obligations                          | (308,262)   |             |
| Net pension liability                              | (5,943,982) |             |
|  |             | (6,723,281) |

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  | (1,073,706) |             |
| Accrued interest payable | (11,990)    |             |
|                          |             | (1,085,696) |

Deferred inflows of resources related to pensions that are not reported in the funds.

(689,898)

**Net Position of Governmental Activities**

\$ 69,825,712

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

**STATE OF ALASKA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 1.13**

|  | General<br>Fund      | Alaska<br>Permanent<br>Fund | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|-----------------------------|-------------------|--------------------------------|
| <b>REVENUES</b>                                      |                      |                             |                   |                                |
| Taxes  | \$ 491,736           | \$ -                        | \$ 21,601         | \$ 513,337                     |
| Licenses and Permits                                 | 130,090              | -                           | 32,999            | 163,089                        |
| Charges for Services                                 | 199,316              | -                           | 660               | 199,976                        |
| Fines and Forfeitures                                | 15,269               | -                           | 295               | 15,564                         |
| Rents and Royalties                                  | 1,106,060            | 597,088                     | 11,221            | 1,714,369                      |
| Premiums and Contributions                           | 20,638               | -                           | 6,803             | 27,441                         |
| Interest and Investment Income (Loss)                | 336,928              | 2,494,453                   | 16,535            | 2,847,916                      |
| Federal Grants in Aid                                | 2,512,735            | -                           | 31,517            | 2,544,252                      |
| Payments In from Component Units                     | 14,106               | -                           | -                 | 14,106                         |
| Other Revenues                                       | 26,478               | -                           | 23,709            | 50,187                         |
| Total Revenues                                       | <u>4,853,356</u>     | <u>3,091,541</u>            | <u>145,340</u>    | <u>8,090,237</u>               |
| <b>EXPENDITURES</b>                                  |                      |                             |                   |                                |
| Current:   |                      |                             |                   |                                |
| General Government                                   | 1,290,102            | 102,116                     | 3,368             | 1,395,586                      |
| Alaska Permanent Fund Dividend                       | 1,203,234            | -                           | -                 | 1,203,234                      |
| Education  | 3,729,601            | -                           | 40,643            | 3,770,244                      |
| University   | 650,616              | -                           | 2,927             | 653,543                        |
| Health and Human Services                            | 2,799,516            | -                           | 4,428             | 2,803,944                      |
| Law and Justice                                      | 271,577              | 2,578                       | -                 | 274,155                        |
| Public Protection                                    | 793,568              | -                           | 852               | 794,420                        |
| Natural Resources                                    | 349,710              | 5,797                       | 72,481            | 427,988                        |
| Development  | 385,764              | -                           | 36,093            | 421,857                        |
| Transportation                                       | 1,464,579            | -                           | 83,648            | 1,548,227                      |
| Intergovernmental Revenue Sharing                    | 134,686              | -                           | -                 | 134,686                        |
| Debt Service:  |                      |                             |                   |                                |
| Principal  | 36,161               | -                           | 48,965            | 85,126                         |
| Interest and Other Charges                           | 18,446               | -                           | 48,709            | 67,155                         |
| Bond Issuance Costs                                  | 426                  | -                           | -                 | 426                            |
| Total Expenditures                                   | <u>13,127,986</u>    | <u>110,491</u>              | <u>342,114</u>    | <u>13,580,591</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(8,274,630)</u>   | <u>2,981,050</u>            | <u>(196,774)</u>  | <u>(5,490,354)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                      |                             |                   |                                |
| Bonds Issued   | 30,895               | -                           | -                 | 30,895                         |
| Refunding Bonds Issued                               | -                    | -                           | 94,425            | 94,425                         |
| Bonds Issued Premium                                 | 4,532                | -                           | 22,186            | 26,718                         |
| Payment to Refunded Bonds Escrow Agent               | -                    | -                           | (116,296)         | (116,296)                      |
| Capital Leases                                       | 5,148                | -                           | -                 | 5,148                          |
| Transfers In from Other Funds                        | 1,400,791            | 2,881                       | 129,097           | 1,532,769                      |
| Transfers (Out to) Other Funds                       | <u>(160,068)</u>     | <u>(1,397,145)</u>          | <u>(9,208)</u>    | <u>(1,566,421)</u>             |
| Total Other Financing Sources<br>and Uses            | <u>1,281,298</u>     | <u>(1,394,264)</u>          | <u>120,204</u>    | <u>7,238</u>                   |
| Net Change in Fund Balances                          | <u>(6,993,332)</u>   | <u>1,586,786</u>            | <u>(76,570)</u>   | <u>(5,483,116)</u>             |
| Fund Balances - Beginning of Year                    | 22,541,616           | 51,213,713                  | 844,519           | 74,599,848                     |
| Prior Period Adjustment                              | 283,619              | -                           | 1,903             | 285,522                        |
| Fund Balances - End of Year                          | <u>\$ 15,831,903</u> | <u>\$ 52,800,499</u>        | <u>\$ 769,852</u> | <u>\$ 69,402,254</u>           |

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

**STATE OF ALASKA**  
**Reconciliation of the Change in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 1.14**

**Net Change in Fund Balances - Total Governmental Funds** \$ (5,483,116)

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       | 854,624   |         |
| Depreciation expense | (416,792) |         |
|                      |           | 437,832 |

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 | 30,288 |
|--------------------------|--------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.

85,428

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.

|                                       |           |        |
|---------------------------------------|-----------|--------|
| Bond proceeds                         | (35,427)  |        |
| Refunding bond proceeds               | (116,611) |        |
| Accrued interest                      | 493       |        |
| Repayment of bond principal           | 60,358    |        |
| Payment to refunded bond escrow agent | 116,296   |        |
| Amortization of bond cost             | (95)      |        |
|                                       |           | 25,014 |

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

(5,148)

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 and have been eliminated from the Statement of Activities.

|                                |          |         |
|--------------------------------|----------|---------|
| Claims and judgments           | (9,224)  |         |
| Compensated absences           | 2,087    |         |
| Pollution remediation          | (64,432) |         |
| Capital lease payments         | 26,303   |         |
| Pension                        | 682,591  |         |
| Other post employment benefits | (627)    |         |
|                                |          | 636,698 |

**Change in Net Position of Governmental Activities** \$ (4,273,004)

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



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# Proprietary Funds Financial Statements

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

## MAJOR ENTERPRISE FUNDS

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

- **International Airports Fund (Fund 21602)** – AS 37.15.420, AS 37.15.430 – Administered by the Department of Transportation and Public Facilities. This fund consists of all revenues, fees, charges, and rentals derived by the State from the ownership, lease, use, and operation of the international airports.

## NONMAJOR FUNDS

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



**STATE OF ALASKA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 1.21**

|   | Business-type Activities<br>Enterprise Funds |                                 |                              | Governmental<br>Activities |
|---|--|---------------------------------|------------------------------|----------------------------|
|   | International<br>Airports                    | Nonmajor<br>Enterprise<br>Funds | Enterprise<br>Funds<br>Total | Internal<br>Service Funds  |
| <b>ASSETS</b>   |  |                                 |                              |                            |
| Current Assets:   |  |                                 |                              |                            |
| Cash and Investments  | \$ 97,876                                    | \$ 721,612                      | \$ 819,488                   | \$ 124,618                 |
| Accounts Receivable - Net   | 11,571                                       | 24,892                          | 36,463                       | 1,017                      |
| Interest and Dividends Receivable                                     | -  | 6,628                           | 6,628                        | -                          |
| Due from Other Funds  | 3,758  | 262                             | 4,020                        | 12,695                     |
| Due from Other Governments  | 2,680  | 325                             | 3,005                        | -                          |
| Loans, Notes, and Bonds Receivable                                    | -  | 30,644                          | 30,644                       | -                          |
| Inventories   | -  | -                               | -                            | 3,923                      |
| Restricted Assets   | 1,154  | -                               | 1,154                        | -                          |
| Other Current Assets  | -  | -                               | -                            | 6,582                      |
| Total Current Assets  | 117,039                                      | 784,363                         | 901,402                      | 148,835                    |
| Noncurrent Assets:  |  |                                 |                              |                            |
| Interest and Dividends Receivable                                     | -  | 9,650                           | 9,650                        | -                          |
| Loans, Notes, and Bonds Receivable                                    | -  | 404,378                         | 404,378                      | -                          |
| Reposessed Property   | -  | 1,479                           | 1,479                        | -                          |
| Investment in Projects, Partnerships,<br>or Corporations              | -  | 2,787                           | 2,787                        | -                          |
| Restricted Assets   | 103,994                                      | -                               | 103,994                      | -                          |
| Other Noncurrent Assets   | -  | 1,219                           | 1,219                        | -                          |
| Capital Assets:   |  |                                 |                              |                            |
| Equipment, Net of Depreciation  | 30,391                                       | -                               | 30,391                       | 188,226                    |
| Buildings, Net of Depreciation  | 735,096                                      | -                               | 735,096                      | 107,411                    |
| Infrastructure, Net of Depreciation                                   | 396,837                                      | -                               | 396,837                      | -                          |
| Land / Right-of-Way   | 31,202                                       | -                               | 31,202                       | -                          |
| Construction in Progress  | 59,947                                       | -                               | 59,947                       | 22,141                     |
| Total Noncurrent Assets   | 1,357,467                                    | 419,513                         | 1,776,980                    | 317,778                    |
| Total Assets  | 1,474,506                                    | 1,203,876                       | 2,678,382                    | 466,613                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |  |                                 |                              |                            |
| Deferred Outflows Related to Pensions                                 | 18,115                                       | 171                             | 18,286                       | 12,714                     |
| Total Deferred Outflows of Resources                                  | 18,115                                       | 171                             | 18,286                       | 12,714                     |
| <b>LIABILITIES</b>  |  |                                 |                              |                            |
| Current Liabilities:  |  |                                 |                              |                            |
| Accounts Payable and Accrued Liabilities                              | 3,213  | 6,003                           | 9,216                        | 20,980                     |
| Due to Other Funds  | 42,183                                       | 1,554                           | 43,737                       | 2,212                      |
| Due to Other Governments  | -  | 4,111                           | 4,111                        | -                          |
| Interest Payable  | 5,844  | -                               | 5,844                        | -                          |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | 4,009  | 20                              | 4,029                        | 2,885                      |
| Unearned Revenue  | 865  | -                               | 865                          | -                          |
| Notes, Bonds, and Leases Payable                                      | 16,725                                       | -                               | 16,725                       | 2,070                      |
| Other Current Liabilities   | -  | 582                             | 582                          | -                          |
| Total Current Liabilities   | 72,839                                       | 12,270                          | 85,109                       | 28,147                     |
| Noncurrent Liabilities:   |  |                                 |                              |                            |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | 1,508  | 239                             | 1,747                        | 688                        |
| Notes, Bonds, and Leases Payable                                      | 480,430                                      | -                               | 480,430                      | 8,071                      |
| Net Pension Liabilities   | 65,827                                       | 622                             | 66,449                       | 46,201                     |
| Total Noncurrent Liabilities  | 547,765                                      | 861                             | 548,626                      | 54,960                     |
| Total Liabilities   | 620,604                                      | 13,131                          | 633,735                      | 83,107                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |  |                                 |                              |                            |
| Deferred Inflows Related to Pensions                                  | 7,991  | 76                              | 8,067                        | 5,609                      |
| Total Deferred Inflows of Resources                                   | 7,991  | 76                              | 8,067                        | 5,609                      |
| <b>NET POSITION</b>   |  |                                 |                              |                            |
| Net Investment in Capital Assets                                      | 817,436                                      | -                               | 817,436                      | 307,637                    |
| Restricted for:   |  |                                 |                              |                            |
| Unemployment Compensation   | -  | 429,285                         | 429,285                      | -                          |
| Health and Human Services   | -  | 465,877                         | 465,877                      | -                          |
| Debt Service  | 22,092                                       | -                               | 22,092                       | -                          |
| Other Purposes  | 21,938                                       | 221                             | 22,159                       | -                          |
| Unrestricted  | 2,560  | 295,457                         | 298,017                      | 82,974                     |
| Total Net Position  | \$ 864,026                                   | \$ 1,190,840                    | \$ 2,054,866                 | \$ 390,611                 |

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



## STATE OF ALASKA

## STATEMENT 1.22

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

## Proprietary Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|   | Business-type Activities<br>Enterprise Funds |                                 |                              | Governmental<br>Activities |
|---|--|---------------------------------|------------------------------|----------------------------|
|   | International<br>Airports                    | Nonmajor<br>Enterprise<br>Funds | Enterprise<br>Funds<br>Total | Internal<br>Service Funds  |
| <b>OPERATING REVENUES</b>                         |  |                                 |                              |                            |
| Premiums and Contributions                        | \$ -   | \$ 185,168                      | \$ 185,168                   | \$ 123,247                 |
| Charges for Goods and Services                    | 133,477                                      | 1,619                           | 135,096                      | 113,350                    |
| Interest and Investment Income                    | -  | 9,734                           | 9,734                        | -                          |
| Allowance for Uncollectible Interest              | -  | 193                             | 193                          | -                          |
| Fines and Forfeitures                             | -  | 345                             | 345                          | -                          |
| Other Operating Revenues                          | 884  | -                               | 884                          | 1,638                      |
| Total Operating Revenues                          | 134,361                                      | 197,059                         | 331,420                      | 238,235                    |
| <b>OPERATING EXPENSES</b>                         |  |                                 |                              |                            |
| Benefits  | -  | 142,702                         | 142,702                      | 121,448                    |
| Operating   | 83,011                                       | 5,471                           | 88,482                       | 96,452                     |
| Depreciation                                      | 65,423                                       | 20                              | 65,443                       | 33,048                     |
| Provision for Loan Losses and Forgiveness         | -  | 1,925                           | 1,925                        | -                          |
| Total Operating Expenses                          | 148,434                                      | 150,118                         | 298,552                      | 250,948                    |
| Operating Income (Loss)                           | (14,073)                                     | 46,941                          | 32,868                       | (12,713)                   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |  |                                 |                              |                            |
| Interest and Investment Income                    | 864  | 10,451                          | 11,315                       | 170                        |
| Interest and Investment Expense                   | (21,465)                                     | (5)                             | (21,470)                     | (67)                       |
| Gain (Loss) on Disposal of Capital Assets         | 182  | (59,960)                        | (59,778)                     | (1,028)                    |
| Other Nonoperating Revenues (Expenses)            | (1,199)                                      | (2,601)                         | (3,800)                      | 122                        |
| Total Nonoperating Revenues (Expenses)            | (21,618)                                     | (52,115)                        | (73,733)                     | (803)                      |
| Income Before Capital Contributions and Transfers | (35,691)                                     | (5,174)                         | (40,865)                     | (13,516)                   |
| Capital Contributions                             | 50,354                                       | 18,463                          | 68,817                       | 20,696                     |
| Transfers In from Other Funds                     | 14,057                                       | 133                             | 14,190                       | 23,108                     |
| Transfers (Out to) Other Funds                    | -  | (3,646)                         | (3,646)                      | -                          |
| Change in Net Position                            | 28,720                                       | 9,776                           | 38,496                       | 30,288                     |
| Total Net Position - Beginning of Year (restated) | 835,306                                      | 1,181,064                       | 2,016,370                    | 360,323                    |
| Total Net Position - End of Year                  | \$ 864,026                                   | \$ 1,190,840                    | \$ 2,054,866                 | \$ 390,611                 |

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

STATE OF ALASKA  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 1.23

|  | Business-type Activities<br>Enterprise Funds |                                 |                              | Governmental<br>Activities |
|--|--|---------------------------------|------------------------------|----------------------------|
|  | International<br>Airports                    | Nonmajor<br>Enterprise<br>Funds | Enterprise<br>Funds<br>Total | Internal<br>Service Funds  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |  |                                 |                              |                            |
| Receipts from Other Governments                                      | \$ -   | \$ 586                          | \$ 586                       | \$ 141                     |
| Receipts from Customers  | 137,613                                      | 9                               | 137,622                      | 306                        |
| Receipts for Interfund Services Provided                             | -  | 6                               | 6                            | 108,153                    |
| Receipt of Principal from Loan Recipients                            | -  | 50,345                          | 50,345                       | -                          |
| Receipt of Interest and Fees from Loan Recipients                    | -  | 11,720                          | 11,720                       | -                          |
| Receipts from Insured  | -  | 185,704                         | 185,704                      | 123,246                    |
| Payments to Employees  | (46,182)                                     | (743)                           | (46,925)                     | (38,927)                   |
| Payments to Suppliers  | (47,812)                                     | (358)                           | (48,170)                     | (64,338)                   |
| Payments to Loan Recipients  | -  | (75,225)                        | (75,225)                     | -                          |
| Claims Paid  | -  | (141,108)                       | (141,108)                    | (122,004)                  |
| Payments for Interfund Services Used                                 | (2,525)                                      | (5,028)                         | (7,553)                      | (3,836)                    |
| Other Receipts   | -  | 304                             | 304                          | 1,618                      |
| Other Payments   | (1,361)                                      | (90)                            | (1,451)                      | (946)                      |
| Net Cash Provided (Used) by Operating Activities                     | 39,733                                       | 26,122                          | 65,855                       | 3,413                      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |  |                                 |                              |                            |
| Operating Subsidies and Transfers (Out to) Other Funds               | -  | (6,409)                         | (6,409)                      | -                          |
| Operating Subsidies and Transfers In from Other Funds                | 14,057                                       | 294                             | 14,351                       | 23,108                     |
| Federal Grants   | 162  | -                               | 162                          | -                          |
| Proceeds from Issuance of Short-term Debt                            | -  | 3,278                           | 3,278                        | -                          |
| Payments on Short-term Debt  | -  | (3,278)                         | (3,278)                      | -                          |
| Interest and Fees Paid on Borrowing                                  | -  | (4)                             | (4)                          | -                          |
| Net Cash Provided (Used) by Noncapital Financing Activities          | 14,219                                       | (6,119)                         | 8,100                        | 23,108                     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |  |                                 |                              |                            |
| Capital Contributions  | -  | 39                              | 39                           | -                          |
| Proceeds from Sale of Capital Assets                                 | -  | -                               | -                            | 2,063                      |
| Acquisition and Construction of Capital Assets                       | (66,217)                                     | -                               | (66,217)                     | (23,238)                   |
| Proceeds from Capital Debt   | -  | -                               | -                            | 7,471                      |
| Principal Paid on Capital Debt                                       | (15,860)                                     | -                               | (15,860)                     | (630)                      |
| Interest and Fees Paid on Capital Debt                               | (22,704)                                     | -                               | (22,704)                     | -                          |
| Capital Lease Payments (and Interest)                                | -  | -                               | -                            | (66)                       |
| Federal Grants   | 51,035                                       | 18,424                          | 69,459                       | -                          |
| Other Receipts (Payments)  | 12,300                                       | -                               | 12,300                       | 121                        |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (41,446)                                     | 18,463                          | (22,983)                     | (14,279)                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |  |                                 |                              |                            |
| Proceeds from Sales/Maturities of Investments                        | 234,218                                      | 11                              | 234,229                      | -                          |
| Purchase of Investments  | (233,354)                                    | -                               | (233,354)                    | -                          |
| Interest and Dividends on Investments                                | -  | 10,440                          | 10,440                       | 170                        |
| Change in Restricted Cash and Investments                            | (10,002)                                     | -                               | (10,002)                     | -                          |
| Net Cash Provided (Used) by Investing Activities                     | (9,138)                                      | 10,451                          | 1,313                        | 170                        |
| Net Increase (Decrease) in Cash                                      | 3,368  | 48,917                          | 52,285                       | 12,412                     |
| Cash and Cash Equivalents - Beginning of Year                        | 56,039                                       | 672,695                         | 728,734                      | 112,206                    |
| Cash and Cash Equivalents - End of Year                              | \$ 59,407                                    | \$ 721,612                      | \$ 781,019                   | \$ 124,618                 |

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

This statement continued on next page.

STATE OF ALASKA  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 1.23

|  | Business-type Activities<br>Enterprise Funds |                                 |                              | Governmental<br>Activities |
|--|--|---------------------------------|------------------------------|----------------------------|
|  | International<br>Airports                    | Nonmajor<br>Enterprise<br>Funds | Enterprise<br>Funds<br>Total | Internal<br>Service Funds  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>  |  |                                 |                              |                            |
| Operating Income (Loss)  | \$ (14,073)                                  | \$ 46,941                       | \$ 32,868                    | \$ (12,713)                |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:         |  |                                 |                              |                            |
| Depreciation and Amortization  | 65,423                                       | -                               | 65,423                       | 33,048                     |
| Provision for Loan Losses and Forgiveness  | -  | 5                               | 5                            | -                          |
| Other Reconciling Items  | (3,886)                                      | -                               | (3,886)                      | -                          |
| Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: |  |                                 |                              |                            |
| Accounts Receivable - Net  | 3,753  | 1,786                           | 5,539                        | (632)                      |
| Due from Other Funds   | -  | 4                               | 4                            | (6,322)                    |
| Due from Other Governments   | -  | 99                              | 99                           | -                          |
| Loans, Notes, and Bonds Receivable - Net   | -  | (21,588)                        | (21,588)                     | -                          |
| Repossessed Property   | -  | (940)                           | (940)                        | -                          |
| Interest and Dividends Receivable - Net  | -  | 34                              | 34                           | -                          |
| Inventories  | -  | -                               | -                            | (121)                      |
| Other Assets   | -  | 30                              | 30                           | (538)                      |
| Deferred Outflows of Resources   | (12,760)                                     | (122)                           | (12,882)                     | (8,890)                    |
| Due to Other Funds   | -  | (638)                           | (638)                        | 948                        |
| Due to Other Governments   | -  | (1,078)                         | (1,078)                      | -                          |
| Accounts Payable and Accrued Liabilities   | 1,178  | 1,199                           | 2,377                        | (1,756)                    |
| Net Pension Liability  | (7,370)                                      | (70)                            | (7,440)                      | (5,172)                    |
| Other Liabilities  | (523)  | 384                             | (139)                        | (48)                       |
| Deferred Inflows of Resources  | 7,991  | 76                              | 8,067                        | 5,609                      |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 39,733</u>                             | <u>\$ 26,122</u>                | <u>\$ 65,855</u>             | <u>\$ 3,413</u>            |
| <b>Reconciliation of Cash to the Statement of Net Position:</b>  |  |                                 |                              |                            |
| Total Cash and Investments per the Statement of Net Position   | \$ 97,876                                    | \$ 721,612                      | \$ 819,488                   | \$ 124,618                 |
| Less: Investments not Meeting the Definition of Cash or Cash Equivalents                               | (38,469)                                     | -                               | (38,469)                     | -                          |
| Cash, End of Year  | <u>\$ 59,407</u>                             | <u>\$ 721,612</u>               | <u>\$ 781,019</u>            | <u>\$ 124,618</u>          |
| <b>Noncash Investing, Capital, and Financing Activities:</b>   |  |                                 |                              |                            |
| Contributed Capital Assets   | 20   | -                               | 20                           | 20,696                     |
| Transfers (Out to) Other Funds (Accrual)   | -  | (1)                             | (1)                          | -                          |
| Capital Assets Transferred to Primary Government   | -  | (59,960)                        | (59,960)                     | -                          |



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# Fiduciary Funds

# Financial Statements

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

Pension and Other Employee Benefit Trust Funds  
Agency Funds



**STATE OF ALASKA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 1.31**

|   | Pension and Other<br>Employee<br>Benefit Trust Funds | Agency<br>Funds |
|---|--|-----------------|
| <b>ASSETS</b>                                     |  |                 |
| Cash and Cash Equivalents                         | \$ 549,313   | \$ 343,042      |
| Investments:                                      |  | 223,194         |
| Fixed Income                                      | 3,098,149  |                 |
| Domestic Equities                                 | 6,600,619  |                 |
| International Equities                            | 5,995,306  |                 |
| Alternative Equity Strategies                     | 889,260  |                 |
| Private Equity Pool                               | 1,839,285  |                 |
| Absolute Return Pool                              | 1,359,536  |                 |
| Real Assets                                       | 4,118,056  |                 |
| Collective Investment Funds                       | 1,827,073  |                 |
| Pooled Investment Funds                           | 2,684,350  |                 |
| Synthetic Investment Contracts                    | 537,184  |                 |
| Investment Loss Trust Fund Assets                 | 1,940  | -               |
| Accounts Receivable - Net                         | 685  | 4               |
| Contributions Receivable                          | 43,654   | -               |
| Interest and Dividends Receivable                 | 4  | -               |
| Due from Other Funds                              | 27,100   | 3,925           |
| Other Assets                                      | 4,102  | -               |
| Total Assets                                      | <u>29,575,616</u>                                    | <u>570,165</u>  |
| <b>LIABILITIES</b>                                |  |                 |
| Accounts Payable and Accrued Liabilities          | 20,618   | 5,036           |
| Forfeiture Payable to Employer                    | 30,137   | -               |
| Claims Payable                                    | 93,244   | -               |
| Trust Deposits Payable                            | -  | 563,109         |
| Due to Other Funds                                | 18,286   | 2,020           |
| Total Liabilities                                 | <u>162,285</u>                                       | <u>570,165</u>  |
| <b>NET POSITION</b>                               |  |                 |
| Held in Trust for:                                |  |                 |
| Pension Benefits                                  | 14,034,857   | -               |
| Postemployment Benefits                           | 10,310,996   | -               |
| Individuals, Organizations, and Other Governments | 5,067,478  | -               |
| Total Net Position                                | <u>\$ 29,413,331</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, 2015**  
**(Stated in Thousands)**

**STATEMENT 1.32**

|   | Pension and Other<br>Employee<br>Benefit Trust Funds |
|---|--|
| <b>ADDITIONS</b>  |  |
| Premiums and Contributions:                                       |  |
| Employer  | \$ 670,265   |
| Member  | 443,738  |
| Other   | 3,005,243  |
| Total Premiums and Contributions                                  | <u>4,119,246</u>                                     |
| Investment Income:  |  |
| Net Appreciation (Depreciation) in Fair<br>Value of Investments   | 486,538  |
| Interest  | 94,965   |
| Dividends   | 330,685  |
| Total Investment Income   | <u>912,188</u>                                       |
| Less Investment Expense   | <u>62,913</u>  |
| Net Investment Income   | <u>849,275</u>                                       |
| Other   | <u>63,003</u>  |
| Total Additions   | <u>5,031,524</u>                                     |
| <b>DEDUCTIONS</b>   |  |
| Benefits Paid   | 1,876,091  |
| Refunds of Premiums and Contributions                             | 43,391   |
| Administrative Expenses   | 42,484   |
| Total Deductions  | <u>1,961,966</u>                                     |
| <b>Net Increase (Decrease) in Net Position Held in Trust for:</b> |  |
| Pension Benefits  | 2,355,266  |
| Postemployment Benefits   | 483,836  |
| Individuals, Organizations, and Other Governments                 | 230,456  |
| Net Position - Beginning of the Year                              | <u>26,343,773</u>                                    |
| Net Position - End of the Year                                    | <u>\$ 29,413,331</u>                                 |

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



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# Component Units

# Financial Statements

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

## MAJOR COMPONENT UNITS

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

## NONMAJOR COMPONENT UNITS

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





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STATE OF ALASKA  
Statement of Net Position  
Component Units  
June 30, 2015  
(Stated in Thousands)

STATEMENT 1.41

|   | University<br>of Alaska | Alaska<br>Housing<br>Finance<br>Corporation | Alaska<br>Industrial<br>Development and<br>Export Authority | Nonmajor<br>Component<br>Units | Total        |
|---|-------------------------|---|---|--------------------------------|--------------|
| <b>ASSETS</b>   |                         |   |   |                                |              |
| Cash and Investments  | \$ 236,682              | \$ 625,232                                  | \$ 631,335  | \$ 1,061,311                   | \$ 2,554,560 |
| Accounts Receivable - Net   | 28,018                  | -   | -   | 26,498                         | 54,516       |
| Interest and Dividends Receivable                                     | 724                     | 11,606                                      | 4,243   | 22,045                         | 38,618       |
| Due from Primary Government   | 8,488                   | 20,776                                      | 173   | 24,224                         | 53,661       |
| Due from Component Units  | 37                      | 483   | 2,952   | -                              | 3,472        |
| Due from Other Governments  | 31,487                  | -   | 25  | 17,571                         | 49,083       |
| Loans, Notes, and Bonds Receivable                                    | 17,117                  | 2,662,893                                   | 388,075   | 1,000,004                      | 4,068,089    |
| Inventories   | 5,535                   | -   | -   | 11,134                         | 16,669       |
| Reposessed Property   | -                       | -   | 175   | -                              | 175          |
| Net Investment in Direct Financing Leases                             | -                       | 39,732                                      | 177,691   | -                              | 217,423      |
| Investments in Projects, Partnerships,<br>or Corporations             | -                       | -   | 39,411  | -                              | 39,411       |
| Restricted Assets   | 476,399                 | 241,360                                     | 140,609   | 1,512,697                      | 2,371,065    |
| Securities Lending Collateral   | -                       | -   | -   | 7,842                          | 7,842        |
| Other Assets  | 4,770                   | 26,723                                      | 3,457   | 21,586                         | 56,536       |
| Capital Assets:   |                         |   |   |                                |              |
| Equipment, Net of Depreciation  | 65,422                  | 699   | -   | 190,418                        | 256,539      |
| Buildings, Net of Depreciation  | 1,096,185               | 95,515                                      | 51,824  | 26,627                         | 1,270,151    |
| Infrastructure, Net of Depreciation                                   | 115,573                 | -   | 27,121  | 879,757                        | 1,022,451    |
| Museum Collections  | 7,169                   | -   | -   | -                              | 7,169        |
| Land / Right-of-Way   | 39,535                  | 19,687                                      | 3,165   | 51,376                         | 113,763      |
| Construction in Progress  | 220,781                 | 156   | 23,293  | 218,945                        | 463,175      |
| Total Assets  | 2,353,922               | 3,744,862                                   | 1,493,549   | 5,072,035                      | 12,664,368   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |                         |   |   |                                |              |
| Change in Fair Value-Interest Rate Swaps                              | -                       | 147,682                                     | -   | -                              | 147,682      |
| Deferred Charge on Bond Refundings                                    | 1,255                   | 21,073                                      | 265   | 91                             | 22,684       |
| Deferred Outflows Related to Pensions                                 | 16,762                  | 2,685                                       | 988   | 1,896                          | 22,331       |
| Total Deferred Outflows of Resources                                  | 18,017                  | 171,440                                     | 1,253   | 1,987                          | 192,697      |
| <b>LIABILITIES</b>  |                         |   |   |                                |              |
| Accounts Payable and Accrued Liabilities                              | 59,334                  | 15,492                                      | 921   | 77,699                         | 153,446      |
| Obligations Under Securities Lending                                  | -                       | -   | -   | 7,842                          | 7,842        |
| Due to Primary Government   | -                       | 173   | 47,085  | 38,770                         | 86,028       |
| Due to Component Units  | 14,898                  | -   | -   | 2,881                          | 17,779       |
| Due to Other Governments  | -                       | -   | -   | 1,126                          | 1,126        |
| Interest Payable  | -                       | 9,397                                       | 2,664   | 17,312                         | 29,373       |
| Derivative Instruments  | -                       | 150,199                                     | -   | -                              | 150,199      |
| Other Current Liabilities   | 17,902                  | 16,899                                      | 731   | 4,043                          | 39,575       |
| Long-term Liabilities:  |                         |   |   |                                |              |
| Portion Due or Payable Within One Year:                               |                         |   |   |                                |              |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | 13,037                  | 2,630                                       | -   | 1,855                          | 17,522       |
| Unearned Revenue  | 66,860                  | -   | -   | 4,358                          | 71,218       |
| Notes, Bonds, and Leases Payable                                      | 10,528                  | 40,985                                      | 11,285  | 130,575                        | 193,373      |
| Other Noncurrent Liabilities  | -                       | -   | -   | 475                            | 475          |
| Portion Due or Payable After One Year:                                |                         |   |   |                                |              |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -                       | 2,001                                       | -   | 2,899                          | 4,900        |
| Unearned Revenue  | 54,119                  | -   | -   | 8,361                          | 62,480       |
| Notes, Bonds, and Leases Payable                                      | 159,445                 | 2,160,542                                   | 123,370   | 1,192,205                      | 3,635,562    |
| Net Pension Liabilities   | 188,877                 | 28,368                                      | 8,595   | 10,180                         | 236,020      |
| Other Noncurrent Liabilities  | 6,810                   | 858   | 8,620   | 3,064                          | 19,352       |
| Total Liabilities   | 591,810                 | 2,427,544                                   | 203,271   | 1,503,645                      | 4,726,270    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                         |   |   |                                |              |
| Grant Revenue   | -                       | -   | -   | 597,616                        | 597,616      |
| Deferred Inflows Related to Pensions                                  | 23,046                  | 3,277                                       | 993   | 1,219                          | 28,535       |
| Total Deferred Inflows of Resources                                   | 23,046                  | 3,277                                       | 993   | 598,835                        | 626,151      |
| <b>NET POSITION</b>   |                         |   |   |                                |              |
| Net Investment in Capital Assets                                      | 1,359,385               | 116,057                                     | 105,403   | 577,089                        | 2,157,934    |
| Restricted for:   |                         |   |   |                                |              |
| Permanent Funds   |                         |   |   |                                |              |
| Nonexpendable   | -                       | -   | -   | 440,846                        | 440,846      |
| Expendable  | -                       | -   | -   | 145,906                        | 145,906      |
| Education   | 387,599                 | -   | -   | 282,118                        | 669,717      |
| Development   | -                       | -   | -   | 216,273                        | 216,273      |
| Debt Service  | 7,103                   | 554,823                                     | -   | 59,299                         | 621,225      |
| Other Purposes  | -                       | 146,412                                     | 1,037   | 1,124,007                      | 1,271,456    |
| Unrestricted  | 2,996                   | 668,189                                     | 1,184,098   | 126,004                        | 1,981,287    |
| Total Net Position  | \$ 1,757,083            | \$ 1,485,481                                | \$ 1,290,538  | \$ 2,971,542                   | \$ 7,504,644 |

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

STATE OF ALASKA  
Statement of Activities  
Component Units  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 1.42

| FUNCTIONS/PROGRAMS                                    | Expenses            | Program Revenues  |  |  |
|---|---------------------|---|--|--|
|   |                     | Charges for<br>Services,<br>Royalties and<br>Other Fees | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Component Units:</b>                               |                     |   |  |  |
| University of Alaska                                  | \$ 970,350          | \$ 188,743  | \$ 212,150                               | \$ 125,415                             |
| Alaska Housing Finance<br>Corporation                 | 285,419             | 135,688   | 50,276                                   | 97,177                                 |
| Alaska Industrial Development<br>and Export Authority | 39,048              | 47,081  | 1,042                                    | 13,694                                 |
| Nonmajor Component Units                              | 519,606             | 239,372   | 88,939                                   | 98,382                                 |
| Total Component Units                                 | <u>\$ 1,814,423</u> | <u>\$ 610,884</u>                                       | <u>\$ 352,407</u>                        | <u>\$ 334,668</u>                      |

General Revenues:

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

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

STATEMENT 1.42

| Net (Expense) Revenue and Changes in Net Position |  |   |                                |                             |
|---|--|---|--------------------------------|-----------------------------|
| University<br>of Alaska                           | Alaska Housing<br>Finance<br>Corporation | Alaska Industrial<br>Development<br>and Export<br>Authority | Nonmajor<br>Component<br>Units | Total<br>Component<br>Units |
| \$ (444,042)                                      | \$                                       | \$  | \$                             | \$ (444,042)                |
|   | (2,278)                                  |   |                                | (2,278)                     |
|   |  | 22,769  |                                | 22,769                      |
|   |  |   | (92,913)                       | (92,913)                    |
| <u>(444,042)</u>                                  | <u>(2,278)</u>                           | <u>22,769</u>   | <u>(92,913)</u>                | <u>(516,464)</u>            |
| -   | -  | -   | 9,475                          | 9,475                       |
| 5,738   | 6,026                                    | 5,577   | 37,842                         | 55,183                      |
| 481   | -  | -   | -                              | 481                         |
| 528,277   | -  | 10  | 7,384                          | 535,671                     |
| 2,582   | 932                                      | -   | 817                            | 4,331                       |
| -   | -  | -   | 6,213                          | 6,213                       |
| <u>537,078</u>                                    | <u>6,958</u>                             | <u>5,587</u>  | <u>61,731</u>                  | <u>611,354</u>              |
| 93,036  | 4,680                                    | 28,356  | (31,182)                       | 94,890                      |
| 1,664,047   | 1,480,801                                | 1,262,182   | 3,002,724                      | 7,409,754                   |
| <u>\$ 1,757,083</u>                               | <u>\$ 1,485,481</u>                      | <u>\$ 1,290,538</u>   | <u>\$ 2,971,542</u>            | <u>\$ 7,504,644</u>         |



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# Notes to the Basic Financial Statements

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**STATE OF ALASKA  
INDEX  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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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. 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 77 percent of the total cash and investments and 73 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](http://www.apfc.org).

The **Knik Arm Bridge and Toll Authority (KABTA)** is a public corporation and government instrumentality in the Department of Transportation and Public Facilities (AS 19.75.021). The authority has a separate and independent legal existence from the State. It is governed by a board of directors, including the commissioner of the Department of Transportation and Public Facilities, the commissioner of the Department of Revenue, three public members appointed by the Governor, and two non-voting members: a member of the House of Representatives appointed by the Speaker; and a member of the Senate appointed by the President. The purpose of the authority was to develop public transportation systems in the vicinity of Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. Chapter 51, SLA 2014 transferred KABTA's authority to construct a Knik Arm Bridge, including the associated rights and financial items, to the Department of Transportation and Public Facilities effective July 1, 2014. KABTA financial statements are included in the Combining Fund section of this Comprehensive Annual Financial

Report (CAFR) with the Nonmajor Enterprise Funds. Separately issued financial statements may be obtained from Knik Arm Bridge and Toll Authority, 820 East 15<sup>th</sup> Avenue, Anchorage, AK 99501.

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

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

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

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

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

#### DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

The **Alaska Gasline Development Corporation** (AGDC) is a public corporation and governmental instrumentality within the Department of Commerce, Community, and Economic Development, but having a legal existence independent and separate from the State (AS 31.25.010). Currently, the commissioners of the departments of Commerce, Community and Economic Development; and Labor and Workforce Development, and five independent public members appointed by the Governor and confirmed by the Legislature comprise the AGDC board of directors. The Legislature appropriates the budget for AGDC for the purpose of planning, constructing, and financing in-state natural gas pipeline projects. The corporation has the power to borrow money and issue bonds on its own behalf. AGDC financial statements may be obtained from the Alaska Gasline Development Corporation, 3201 C Street, Suite, 200, Anchorage, AK 99503.

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

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

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

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

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

The **Alaska Student Loan Corporation** (ASLC) is a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the State

(AS 14.42.100). ASLC is governed by a board of directors appointed by the Governor. The Legislature approves ASLC's budget. The purpose of ASLC is to improve higher educational opportunities for residents of the State. ASLC financial statements may be obtained from the Alaska Commission on Postsecondary Education, P.O. Box 110505, Juneau, AK 99811-0505.

The **University of Alaska** is established as a corporation and is an instrumentality of the State (AS 14.40.040). A board of regents appointed by the Governor and confirmed by the Legislature governs the university. The Legislature approves the university's budget. The university is created and acts for the benefit of the State and the public in providing education in accordance with an express mandate of the constitution. The financial statements of the university include the assets, liabilities, and related activity of the University of Alaska Foundation, a legally separate nonprofit component unit. The university is not accountable for, nor has ownership of, the foundation's resources. The university's financial statements may be obtained from the University of Alaska, Statewide Fund Accounting, 209 Butrovich Building, P.O. Box 756540, Fairbanks, AK 99775-6540.

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

#### FIDUCIARY COMPONENT UNITS

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

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

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, 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, Retiree Health, Supplemental Benefits System, and Teachers' Retirement System.

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

#### **E. FISCAL YEAR ENDS**

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

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

##### CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net 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.

Domestic, international, and emerging markets equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

Frontier markets securities are valued at their current market or fair values on the last business day of each month by the Trustee.

Private equity 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.

Infrastructure investments are valued at least quarterly by investment managers. Underlying assets are valued by independent valuation specialists.

Real estate investment trust holdings are valued each business day using prices from a pricing service.

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the State's General Fund and Other Non-segregated Investment (GeFONSI) pool, the Short-term Fixed Income Pool, Short-term Treasury Fixed Income Pool, and the Short-term Liquidity Pool operate as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2015, 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

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 average cost or market.

#### CAPITAL ASSETS

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

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

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

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

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

#### COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that State employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. This

liability is recognized and reported in the government-wide and proprietary fund financial statements. As of June 30, 2015, the State's estimated liability for compensated absences, as reported in the government-wide Statement of Net Position, is \$176.2 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 to assign amounts to a specific purpose. Alaska Statute 37.13.020 authorizes the Legislature to assign the funds in the Earnings Reserve Account, a component of the Alaska Permanent Fund.
- Unassigned fund balance is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

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

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

the three subfunds of the General Fund 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 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, 2015 (in thousands):

|  | General              | Permanent           | Special<br>Revenue | Debt<br>Service | Capital<br>Projects |
|--|----------------------|---------------------|--------------------|-----------------|---------------------|
| <b>Nonspendable:</b>                       |                      |                     |                    |                 |                     |
| Inventory                                  | \$ 18,509            | \$ -                | \$ -               | \$ -            | \$ -                |
| Principal                                  | -                    | 46,210,518          | -                  | -               | -                   |
| Advances and Prepaid Items                 | 200,681              | -                   | 52,596             | -               | -                   |
| Total Nonspendable                         | 219,190              | 46,210,518          | 52,596             | -               | -                   |
| <b>Restricted:</b>                         |                      |                     |                    |                 |                     |
| Debt Service                               | 10                   | -                   | -                  | 43,090          | -                   |
| Education                                  | 14,594               | -                   | 10,343             | -               | 50,955              |
| Health & Human Services                    | 29,261               | -                   | 16,042             | -               | -                   |
| Development                                | 35,247               | -                   | 35,612             | -               | 6,934               |
| Other Purposes                             | 4,857                | -                   | 171                | -               | -                   |
| Total Restricted                           | 83,969               | -                   | 62,168             | 43,090          | 57,889              |
| <b>Committed</b>                           |                      |                     |                    |                 |                     |
| Debt Service                               | 1,375                | -                   | -                  | -               | -                   |
| Education                                  |                      |                     |                    |                 |                     |
| School Foundation Support                  | 127,182              | -                   | -                  | -               | -                   |
| Pupil Transportation                       | 8,453                | -                   | -                  | -               | -                   |
| Education Services                         | 782,539              | -                   | -                  | -               | -                   |
| Construction & Maintenance                 | 146,285              | -                   | -                  | -               | -                   |
| Public School Program Support              | -                    | 15,843              | -                  | -               | -                   |
| Health & Human Services                    | 216,774              | -                   | -                  | -               | -                   |
| Public Protection                          | 186,718              | -                   | -                  | -               | -                   |
| Permanent Fund                             |                      |                     |                    |                 |                     |
| Dividend Payments                          | 1,391,430            | -                   | -                  | -               | -                   |
| Development                                |                      |                     |                    |                 |                     |
| Natural Resources                          | 217,935              | -                   | -                  | -               | -                   |
| Transportation                             | 752,864              | -                   | -                  | -               | -                   |
| Other                                      | 1,010,423            | -                   | 58,375             | -               | -                   |
| Other Purposes                             | 153,766              | -                   | -                  | -               | -                   |
| Total Committed                            | 4,995,744            | 15,843              | 58,375             | -               | -                   |
| <b>Assigned</b>                            |                      |                     |                    |                 |                     |
| Permanent Fund                             |                      |                     |                    |                 |                     |
| Assigned for Future Appropriations         |                      |                     |                    |                 |                     |
| Realized Earnings                          | -                    | 6,146,515           | -                  | -               | -                   |
| Unrealized Appreciation on Invested Assets | -                    | 1,015,891           | -                  | -               | -                   |
| Total Assigned                             | -                    | 7,162,406           | -                  | -               | -                   |
| <b>Unassigned</b>                          | 10,533,000           | -                   | -                  | -               | (92,534)            |
| <b>Total Fund Balance</b>                  | <b>\$ 15,831,903</b> | <b>\$53,388,767</b> | <b>\$ 173,139</b>  | <b>\$43,090</b> | <b>\$ (34,645)</b>  |

Total fund balance for the Capital Project Funds has a deficit unassigned fund balance due to Bond Anticipation Notes in the 2012 Transportation Projects Fund. The State expects to issue a fixed rate bond issue of up to \$150 million in early 2016 to refinance the Bond Anticipation Notes issued to date (2013, rolled into 2014, and subsequently rolled into 2015), to be followed by another Bond Anticipation Note to fund additional project costs.

#### Net Position Restricted by Enabling Legislation

The government-wide statement of net position reports \$47.4 billion of restricted net position for the primary government, of which \$ 26.8 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. Language within SLA 2014, Chapter 16, Section 1 (HB266) does authorize the transfer between appropriations for department-wide, agency-wide, and branch-wide unallocated reductions; as well as authority to transfer up to \$50.0 million between appropriations in the Department of Health and Social Services. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 15, supplemental appropriations within the operating and capital budgets were enacted. The total supplemental reduction to appropriations for the FY 15 operating budget was \$3.9 million, of which \$16.2 million was reduced from the General Fund, \$10.3 million was appropriated from other funds, and \$2.0 million was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 15 capital budget was \$18.6 million, of which \$16.4 million was appropriated from the General Fund, \$1.5 million was appropriated from other funds, and \$0.7 million was appropriated from federal funds.

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

**SPENDING LIMITS**

In 1982, the voters of Alaska approved an amendment to the Alaska Constitution to control state spending. Article IX, section 16, establishes an annual appropriation limit of \$2.5 billion plus adjustments for changes in population and inflation since July 1, 1981. Within this limit, one-third is reserved for capital projects and loan appropriations. For FY 15, the Office of Management and Budget estimated the limit to be approximately \$10.1 billion. The FY 15 budget passed by the legislature after vetoes was \$5.0 billion (unrestricted General Fund revenues only), or \$5.1 billion less than the constitutional spending limit.

**CONSTITUTIONAL BUDGET RESERVE FUND**

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

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

The constitution further provides that all money appropriated from the fund must be repaid to the fund. Section 17(d) states “If an appropriation is made from the budget reserve fund, until the amount appropriated is repaid, the amount of money in the General Fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund. The legislature shall implement this subsection by law.” All borrowing from the CBRF was completely repaid in FY 10 and no borrowing activity from the CBRF occurred during FY 11, FY 12, FY 13, or FY 14.

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.

#### 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.

**NOTE 3 – PRIOR PERIOD ADJUSTMENTS AND RESTATED BEGINNING NET POSITION**

**PRIOR PERIOD ADJUSTMENTS**

**Large Scale Enhanced Oil Recovery Credits**

Large scale enhanced oil recovery (LSEOR) credits previously reported as unearned revenue totaling \$283,619 thousand in the General Fund and \$1,903 in the Public School Trust Fund, a permanent fund, were written off in FY 2015. The liability was created based on a “LSEOR Accounting Procedures” document dated March 13, 1997. It increased in materiality over the years, peaking at \$380,696 thousand in FY 2014. In FY 2014, the question was raised whether LSEOR credits constitute a liability. That question was recently addressed in a legal opinion and as a result, the liability has been removed from the balance sheet and statement of net position this year. This change is made to comply with accounting standards, and does not affect the right of producers to receive their existing LSEOR credits on oil pumped from the Kuparuk River Unit in the future.

**RESTATED BEGINNING NET POSITION**

**Governmental Accounting Standards Board Statement No. 68**

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contribution Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68. Statement 68 amends GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers as well as the requirements of GASB Statement No. 50, Pension Disclosures. The scope of the change relates to pension plans that are administered through a trust or similar arrangement meeting certain criteria. Both GASB Statement No. 27 and 50 are still applicable to those pensions not covered within the scope of Statement No. 68.

The State of Alaska and its component units adopted the provisions of Statement 68 during FY 15. The effects of adopting Statement 68 are reported as a restated beginning net position 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<br>Beginning<br>Balance | GASB 68<br>Adjustment | Net Position<br>Restated |
|--|--------------------------------------|-----------------------|--------------------------|
| Government-Wide                                    |                                      |                       |                          |
| Governmental Activities                            | \$ 80,018,350                        | \$ (6,205,156)        | \$ 73,813,194            |
| Governmental Funds                                 | -                                    | (6,157,607)           | -                        |
| Internal Service Funds                             |                                      |                       |                          |
| Alaska Public Building Fund                        | 128,753                              | (1,193)               | 127,560                  |
| Information Services Fund                          | 71,644                               | (22,820)              | 48,824                   |
| Highway Equipment Working Capital Fund             | 190,843                              | (23,536)              | 167,307                  |
| Business Type Activities                           | 2,084,855                            | (68,485)              | 2,016,370                |
| International Airports Fund                        | 903,148                              | (67,842)              | 835,306                  |
| Agricultural Revolving Loan Fund                   | 22,555                               | (643)                 | 21,912                   |
| Component Units                                    | 7,656,792                            | (247,038)             | 7,409,754                |
| Alaska Aerospace Development Corporation           | 77,518                               | (3,428)               | 74,090                   |
| Alaska Gasline Development Corporation             | 370,511                              | 60                    | 370,571                  |
| Alaska Housing Finance Corporation                 | 1,509,908                            | (29,107)              | 1,480,801                |
| Alaska Industrial Development and Export Authority | 1,270,762                            | (8,580)               | 1,262,182                |
| Alaska Mental Health Trust Authority               | 585,633                              | (4,269)               | 581,364                  |
| Alaska Seafood Marketing Institute                 | 17,879                               | (1,713)               | 16,166                   |
| University of Alaska                               | 1,864,048                            | (200,001)             | 1,664,047                |



**NOTE 4 – DEPOSIT AND INVESTMENT RISK**

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

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

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

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

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

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

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

Deposits and investments at June 30, 2015, are as follows:

| Investment Type  | Fair Value (in thousands)          |  |  |                                      |                                       |              | Total         |
|--|------------------------------------|--|--|--------------------------------------|---------------------------------------|--------------|---------------|
|  | Short-term<br>Fixed<br>Income Pool | Short-term<br>Liquidity Fixed<br>Income Pool | Intermediate-<br>term Fixed<br>Income Pool | Broad Market<br>Fixed<br>Income Pool | Tobacco<br>Revenue<br>Fixed<br>Income | Other        |               |
| Deposits   | \$ 6,041                           | \$ -   | \$ 30                                      | \$ -                                 | \$ -                                  | \$ 42,652    | \$ 48,723     |
| Certificate of Deposit   | 15,008                             | -  | 11,999                                     | -                                    | -                                     | -            | 27,007        |
| Corporate Bonds  | 242,783                            | -  | 406,057                                    | 599,307                              | -                                     | -            | 1,248,147     |
| Money Market   | -                                  | -  | -  | -                                    | 16,534                                | -            | 16,534        |
| Mortgage-backed  | 204,789                            | -  | 163,892                                    | 950,945                              | -                                     | -            | 1,319,626     |
| Municipal Bonds  | 7,455                              | -  | -  | 14,860                               | -                                     | -            | 22,315        |
| Other Asset-backed   | 5,950,293                          | -  | 248,081                                    | 68,733                               | -                                     | -            | 6,267,107     |
| Repurchase Agreement   | 949,800                            | -  | -  | -                                    | -                                     | -            | 949,800       |
| U.S. Government Agency   | -                                  | -  | 3,325                                      | 64,767                               | -                                     | -            | 68,092        |
| U.S. Treasury Bills, Notes, Bonds<br>and TIPS                          | 1,835,130                          | 586,524                                      | 4,126,285                                  | 1,364,903                            | -                                     | -            | 7,912,842     |
| Yankee Corporate   | 108,013                            | -  | 105,192                                    | 95,938                               | -                                     | -            | 309,143       |
| Yankee Government  | -                                  | -  | 19,716                                     | 45,986                               | -                                     | -            | 65,702        |
| Domestic Equity Pool   | -                                  | -  | -  | -                                    | -                                     | 1,047,923    | 1,047,923     |
| International Equity Pools   | -                                  | -  | -  | -                                    | -                                     | 534,227      | 534,227       |
| Total Invested Assets  | 9,319,312                          | 586,524                                      | 5,084,577                                  | 3,205,439                            | 16,534                                | 1,624,802    | 19,837,188    |
| Pool related net assets (liabilities)                                  | (398,627)                          | -  | 41,672                                     | (11,848)                             | -                                     | 718          | (368,085)     |
| Net Invested Assets before<br>earnings distribution to<br>participants | 8,920,685                          | 586,524                                      | 5,126,249                                  | 3,193,591                            | 16,534                                | 1,625,520    | 19,469,103    |
| Earnings payable to participants                                       | (1,984)                            | -  | -  | -                                    | -                                     | -            | (1,984)       |
| Other pool ownership   | (298,338)                          | 78   | 193,113                                    | 105,147                              | -                                     | -            | -             |
| Ownership under other fiduciary<br>responsibility:                     |                                    |  |  |                                      |                                       |              |               |
| Alaska Retirement<br>Management Board                                  | (646,326)                          | -  | -  | -                                    | -                                     | -            | (646,326)     |
| Exxon Valdez Oil<br>Spill Trustee Council                              | -                                  | -  | -  | (65,777)                             | -                                     | (157,416)    | (223,193)     |
| Alaska Mental Health<br>Trust Authority                                | (3,916)                            | -  | -  | (11,264)                             | -                                     | (23,461)     | (38,641)      |
| Total Invested Assets  | \$ 7,970,121                       | \$ 586,602                                   | \$ 5,319,362                               | \$ 3,221,697                         | \$ 16,534                             | \$ 1,444,643 | \$ 18,558,959 |

## 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 dates applies. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 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 issues, for which settlement date applies. At June 30, 2015, the expected average life for fixed rate securities ranged from 65 to 170 days.

### Short-term Treasury 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, 2015, this pool held no securities or cash.

Intermediate and Broad Market Fixed Income Pools

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

Treasury uses industry-standard analytical software developed by The Yield Book, Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options, and other variable cash flows for purposes of the effective duration calculation.

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

Intermediate-term Fixed Income Pool -  $\pm 20\%$  of the Barclays 1-3 Year Government Bond Index. The effective duration for the Barclays 1-3 Year Government Bond Index at June 30, 2015 was 1.80 years.

Broad Market Fixed Income Pool -  $\pm 20\%$  of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2015 was 5.48 years.

At June 30, 2015, the effective duration by investment type was as follows:

|  | Effective Duration (in years)          |                                   |
|--|--|-----------------------------------|
|  | Intermediate-term<br>Fixed Income Pool | Broad Market Fixed<br>Income Pool |
| Certificate of Deposit                     | 0.14                                   | -                                 |
| Corporate Bonds                            | 1.63                                   | 8.53                              |
| Mortgage-backed                            | 1.03                                   | 3.91                              |
| Municipal Bonds                            | -                                      | 14.68                             |
| Other Asset-backed                         | 0.61                                   | 0.95                              |
| U.S. Government Agency                     | 3.96                                   | 8.96                              |
| U.S. Treasury Bills, Notes, Bonds and TIPS | 1.96                                   | 5.02                              |
| Yankee Corporate                           | 0.94                                   | 6.04                              |
| Yankee Government                          | 1.08                                   | 7.61                              |
| Portfolio Effective Duration               | 1.81                                   | 5.45                              |

Other Fixed Income

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

**Credit Risk**

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

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

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

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

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

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

The bond indentures governing the investment of tobacco revenue related bond proceeds limit the investment in commercial paper to only those securities rated A-1 or equivalent. At June 30, 2015, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2015, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's Corporation rating scale):

| Investment Type                               | Rating    | Short-term<br>Fixed<br>Income Pool | Short-term<br>Liquidity Fixed<br>Income Pool | Intermediate-<br>term Fixed<br>Income Pool | Broad<br>Market<br>Fixed |
|---|-----------|------------------------------------|--|--|--------------------------|
| Certificate of Deposit                        | Not Rated | 0.17%                              | -  | 0.23%                                      | -                        |
| Corporate Bonds                               | AAA       | -                                  | -  | 0.15%                                      | 0.30%                    |
| Corporate Bonds                               | AA        | 1.42%                              | -  | 1.26%                                      | 2.61%                    |
| Corporate Bonds                               | A         | 1.30%                              | -  | 4.67%                                      | 9.00%                    |
| Corporate Bonds                               | BBB       | -                                  | -  | 1.54%                                      | 6.14%                    |
| Corporate Bonds                               | BB        | -                                  | -  | -  | 0.06%                    |
| Corporate Bonds                               | Not Rated | -                                  | -  | 0.01%                                      | 0.06%                    |
| Deposits                                      | Not Rated | 0.07%                              | -  | -  | -                        |
| Mortgage-backed                               | AAA       | 1.18%                              | -  | 0.81%                                      | 1.33%                    |
| Mortgage-backed                               | AA        | 0.88%                              | -  | 0.70%                                      | 0.43%                    |
| Mortgage-backed                               | A         | 0.19%                              | -  | 0.54%                                      | 0.33%                    |
| Mortgage-backed                               | BBB       | -                                  | -  | -  | 0.06%                    |
| Mortgage-backed                               | BB        | -                                  | -  | 0.01%                                      | -                        |
| Mortgage-backed                               | Not Rated | 0.05%                              | -  | 1.02%                                      | 26.68%                   |
| Municipal Bonds                               | AA        | 0.08%                              | -  | -  | 0.17%                    |
| Municipal Bonds                               | A         | -                                  | -  | -  | 0.28%                    |
| Other Asset-backed                            | AAA       | 47.26%                             | -  | 3.06%                                      | 1.35%                    |
| Other Asset-backed                            | AA        | 1.27%                              | -  | -  | -                        |
| Other Asset-backed                            | A-1       | 1.54%                              | -  | -  | -                        |
| Other Asset-backed                            | Not Rated | 16.63%                             | -  | 1.60%                                      | 0.73%                    |
| Repurchase Agreement                          | AAA       | 7.85%                              | -  | -  | -                        |
| Repurchase Agreement                          | Not Rated | 2.80%                              | -  | -  | -                        |
| U.S. Government Agency                        | AA        | -                                  | -  | 0.06%                                      | 1.96%                    |
| U.S. Treasury Bills, Notes,<br>Bonds and TIPS | AA        | 20.57%                             | 99.99%                                       | 77.57%                                     | 41.37%                   |
| Yankee Corporate                              | AAA       | -                                  | -  | 0.03%                                      | 0.20%                    |
| Yankee Corporate                              | AA        | 0.62%                              | -  | 0.86%                                      | 0.72%                    |
| Yankee Corporate                              | A         | 0.59%                              | -  | 0.87%                                      | 1.32%                    |
| Yankee Corporate                              | BBB       | -                                  | -  | 0.22%                                      | 0.67%                    |
| Yankee Government                             | AAA       | -                                  | -  | -  | 0.15%                    |
| Yankee Government                             | AA        | -                                  | -  | 0.10%                                      | 0.02%                    |
| Yankee Government                             | A         | -                                  | -  | 0.13%                                      | 0.05%                    |
| Yankee Government                             | BBB       | -                                  | -  | 0.08%                                      | 0.66%                    |
| Yankee Government                             | Not Rated | -                                  | -  | 0.07%                                      | 0.52%                    |
| Other Pool Ownership                          | Not Rated | -                                  | 0.01%  | 3.63%                                      | 3.19%                    |
| No Credit Risk                                |           | (4.47%)                            | -  | 0.78%                                      | (0.36%)                  |
|   |           | <u>100.00%</u>                     | <u>100.00%</u>                               | <u>100.00%</u>                             | <u>100.00%</u>           |

#### Custodial Credit Risk – Deposits

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

The bond indentures governing the investment of tobacco revenue related bond proceeds do not establish a policy with regard to custodial credit risk. At June 30, 2015 the State had the following uncollateralized and uninsured deposits:

|                           | Amount<br>(in thousands) |
|---------------------------|--------------------------|
| International Equity Pool | <u>\$ 14</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, 2015, 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 the Fund at the beginning of the each fiscal year which places policy limitations on the amount of international securities the Fund is allowed to hold. The following policy was in place during FY 15 and invested assets included the following holdings at June 30, 2015 for the fund's investment in the International Equity Pool:

|   | Policy   | Actual |
|---|----------|--------|
| Higher Education Fund                         | 24% ± 7% | 23.64% |
| Illinois Creek Mine Reclamation Fund          | 5% ± 3%  | 4.89%  |
| Power Cost Equalization Endowment Fund        | 23% ± 5% | 22.71% |
| Public School Trust Fund, Principal           | 17% ± 5% | 16.71% |
| Retiree Health Insurance Fund, Long Term Care | 13% ± 4% | 12.75% |

At June 30, 2015, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows (in thousands):

| Currency                          | Deposits     | Equity            |
|-----------------------------------|--------------|-------------------|
| Australian Dollar                 | \$ -         | \$ 5,382          |
| Canadian Dollar                   | 14           | 3,349             |
| Danish Krone                      | -            | 1,715             |
| Euro Currency                     | -            | 38,589            |
| Japanese Yen                      | -            | 33,287            |
| Norwegian Krone                   | -            | 2,253             |
| Pound Sterling                    | -            | 41,523            |
| Swedish Krona                     | -            | 5,962             |
| Swiss Franc                       | -            | 9,481             |
| Total                             | <u>\$ 14</u> | <u>\$ 141,541</u> |
| Other Fiduciary Responsibility    | <u>(5)</u>   | <u>(51,699)</u>   |
| Total Commissioner Responsibility | <u>\$ 9</u>  | <u>\$ 89,842</u>  |

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

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

the International Equity Pool's investment include the following income from derivative investments at June 30, 2015 (in thousands):

|             | Changes in Fair Value |             | Fair Value            |        |          |
|-------------|-----------------------|-------------|-----------------------|--------|----------|
|             | Classification        | Amount      | Classification        | Amount | Notional |
| FX Forwards | Investment Revenue    | \$ (81,636) | Long-term Instruments | \$ -   | \$ -     |

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2015, the International Equity Pool had no outstanding contracts.

Pursuant to Alaska Statute 37.10.089(d), the Commissioner of Revenue entered into a Standby Bond Purchase Agreement (SBPA), which supports a liquidity facility provided by State Street Bank on Alaska Student Loan Corporation (ASLC) Education Loan Revenue Refunding Bonds-Senior Series 2012. In the event that the bonds have been tendered and cannot be remarketed, the Commissioner has agreed to purchase Bank Bonds held by the Bank upon satisfaction of the conditions set forth in the SBPA. The annual facility fee is 15 basis points payable by the ASLC quarterly through the termination date of September 30, 2016. Bonds outstanding at June 30, 2015 were \$42,092 thousand.

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

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

**PENSION FUNDS**

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

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

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The ARMB has developed investment guidelines, policies and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed Income Pool, Dow Jones Dividend 100 Index Fund in the Alternative Equity Strategies Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The Short-term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of the ARMB as well as other state funds.

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



Deposits and investments at June 30, 2015 are as follows:

|  | Fair Value<br>(in thousands) |
|--|------------------------------|
| Absolute Return                            | \$ 1,359,537                 |
| Bank Loans                                 | 1,888                        |
| Certificate of Deposit                     | 3,937                        |
| Commercial Paper                           | 2,400                        |
| Convertible Bonds                          | 177,239                      |
| Corporate Bonds                            | 572,585                      |
| Deposits                                   | 112,900                      |
| Energy                                     | 102,337                      |
| Equity                                     | 13,933,205                   |
| Farmland                                   | 773,975                      |
| Foreign Government Bonds                   | 376,175                      |
| Futures                                    | 148                          |
| Infrastructure                             | 289,067                      |
| Mortgage-backed                            | 80,551                       |
| Municipal Bonds                            | 207,193                      |
| Mutual Funds                               | 122,315                      |
| Options                                    | 29,367                       |
| Other Asset-backed                         | 554,647                      |
| Private Equity                             | 1,831,684                    |
| Real Estate                                | 1,324,446                    |
| Repurchase Agreement                       | 68,831                       |
| Rights                                     | 1,082                        |
| Short-term Investment Fund                 | 81,336                       |
| Timber                                     | 385,815                      |
| U.S. Government Agency                     | 2,776                        |
| U.S. Treasury Bills, Notes, Bonds and TIPS | 1,514,794                    |
| Warrants                                   | 34                           |
| Yankee Corporate                           | 100,274                      |
| Yankee Government                          | 11,194                       |
| Participant Directed                       | 832,455                      |
| Net Other Assets/(Liabilities)             | (31,805)                     |
| Total Invested Assets                      | <u>\$ 24,822,382</u>         |

### Interest Rate Risk

#### Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

Other Pooled Fixed Income Investments

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.

At June 30, 2015, the effective duration of the ARMB's fixed income pools, by investment type, was as follows:

|   | Effective<br>Duration<br>(in years) |
|---|-------------------------------------|
| Bank Loans                                  | (0.05)                              |
| Certificate of Deposit                      | 0.14                                |
| Convertible Bonds                           | 0.07                                |
| Corporate Bonds                             | 4.32                                |
| Foreign Government Bonds                    | 6.26                                |
| Mortgage-backed                             | 1.75                                |
| Municipal Bonds                             | 11.15                               |
| Other Asset-backed                          | 0.69                                |
| U.S. Government Agency                      | 7.89                                |
| U.S. Treasury Bills, Notes, Bonds, and TIPS | 4.65                                |
| Yankee Corporate                            | 4.13                                |
| Yankee Government                           | 6.18                                |
| Portfolio Effective Duration                | 4.97                                |

Defined Contribution Pooled Investment and Collective Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate thirteen participant directed funds.

Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to  $\pm 0.2$  years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event at time of purchase shall effective duration exceed  $\pm 0.4$  years relative to the index.

At June 30, 2015, the duration of the government corporate debt, and mortgage-backed securities was 4.00 years and the duration of the Barclays Bond Index was 3.98 years.

The ARMB does not have a policy to limit interest rate risk for its collective investment funds.

### Credit Risk

At June 30, 2015, ARMB's invested assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

| Rating  | (in thousands) |         |
|---|----------------|---------|
|   | U.S. Dollar    | Foreign |
| AAA   | \$ 463,841     | \$ -    |
| AA  | 177,063        | -       |
| A   | 142,155        | 51,762  |
| BBB   | 75,769         | 47,813  |
| BB  | 315,370        | -       |
| B   | 239,065        | -       |
| CCC   | 38,185         | -       |
| U.S. Government Agency (AA)                     | 2,776          | -       |
| U.S. Treasury Bills, Notes, Bonds and TIPS (AA) | 1,514,795      | -       |
| Not Rated                                       | 393,977        | 281,102 |

### Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2015, the ARMB's invested assets had the following uncollateralized and uninsured foreign currency deposits of \$50,028 thousand.

### Concentration of Credit Risk

At June 30, 2015, the ARMB's invested assets did not have exposure to any one issuer greater than five percent of total invested assets.

### Foreign Currency Risk

Through its asset allocation policy, the ARMB limits total investments in foreign currencies to the following:

| Pension System                                 | Fixed -<br>Income | Global<br>Equity Ex-<br>U.S. | Private<br>Equity<br>Pool |
|--|-------------------|------------------------------|---------------------------|
| Public Employees' Retirement System            | 20%               | 29%                          | 14%                       |
| Teachers' Retirement System                    | 20%               | 29%                          | 14%                       |
| Judicial Retirement System                     | 20%               | 29%                          | 14%                       |
| Alaska National Guard and Naval Militia System | 58%               | 24%                          | -                         |

At June 30, 2015, the ARMB had exposure to foreign currency risk with the following deposits and investments (in thousands):

| Currency             | Deposits         | Foreign Government<br>Bonds | Equity              | Rights and<br>Warrants | Private Equity<br>Limited Partnerships |
|----------------------|------------------|-----------------------------|---------------------|------------------------|--|
| Australian Dollar    | \$ 23            | \$ 5,338                    | \$ 136,987          | \$ 29                  | \$ 1,202                               |
| Brazilian Real       | 125              | 27,623                      | 17,888              | -                      | -                                      |
| Canadian Dollar      | 196              | -                           | 142,608             | -                      | -                                      |
| Columbian Peso       | 31               | 8,286                       | -                   | -                      | -                                      |
| Danish Krone         | 1,155            | -                           | 113,664             | -                      | -                                      |
| Euro Currency        | 33,483           | 87,576                      | 1,112,446           | 984                    | 112,645                                |
| Hong Kong Dollar     | 675              | -                           | 193,040             | -                      | -                                      |
| Indian Rupee         | -                | -                           | 3,144               | -                      | -                                      |
| Indonesian Rupiah    | 258              | 11,562                      | 17,441              | -                      | -                                      |
| Japanese Yen         | 6,827            | 92,132                      | 917,982             | -                      | -                                      |
| Malaysian Ringgit    | 161              | 14,267                      | 4,944               | -                      | -                                      |
| Mexican Peso         | 1,103            | 31,651                      | 2,616               | -                      | -                                      |
| New Israeli Sheqel   | 26               | -                           | 7,265               | -                      | -                                      |
| New Russian Ruble    | -                | 7,435                       | 5,711               | -                      | -                                      |
| New Taiwan Dollar    | 6                | -                           | 5,155               | -                      | -                                      |
| New Zealand Dollar   | 270              | -                           | 11,941              | -                      | -                                      |
| Norwegian Krone      | 147              | -                           | 29,322              | -                      | -                                      |
| Peruvian Nouveau Sol | 64               | 5,504                       | -                   | -                      | -                                      |
| Philippine Peso      | -                | -                           | 1,992               | -                      | -                                      |
| Polish Zloty         | -                | 19,016                      | 74                  | -                      | -                                      |
| Pound Sterling       | 3,493            | 32,564                      | 910,614             | -                      | 33,972                                 |
| Singapore Dollar     | 93               | -                           | 51,216              | 101                    | -                                      |
| South African Rand   | 214              | 9,274                       | 13,559              | -                      | -                                      |
| South Korean Won     | 13               | -                           | 65,320              | -                      | -                                      |
| Swedish Krona        | 1                | 13,105                      | 108,535             | -                      | -                                      |
| Swiss Franc          | 1,591            | -                           | 304,407             | -                      | -                                      |
| Thailand Baht        | -                | -                           | 758                 | -                      | -                                      |
| Turkish Lira         | 65               | 10,842                      | 10,320              | -                      | -                                      |
| Yuan Renminbi        | 8                | -                           | 5,777               | -                      | -                                      |
|                      | <u>\$ 50,028</u> | <u>\$ 376,175</u>           | <u>\$ 4,194,726</u> | <u>\$ 1,114</u>        | <u>\$ 147,819</u>                      |

### Foreign Exchange, Derivative, and Counterparty Credit Risk

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

On June 30, 2015, the ARMB had the following derivative instruments outstanding (in thousands):

| Type                   | Change in Fair Value     |            | Fair Value            |         |          |
|------------------------|--------------------------|------------|-----------------------|---------|----------|
|                        | Classification           | Amount     | Classification        | Amount  | Notional |
| Equity Options Written | Investment Income (Loss) | \$ (1,997) | Options               | \$ -    | \$ -     |
| FX Forwards            | Investment Income (Loss) | 3,655      | Long Term Instruments | 251     | 2,770    |
| Index Futures Long     | Investment Income (Loss) | 5,995      | Futures               | -       | 35       |
| Index Options Bought   | Investment Income (Loss) | (2,266)    | Options               | 30,889  | 108      |
| Index Options Written  | Investment Income (Loss) | 2,792      | Options               | (1,521) | (139)    |
| Rights                 | Investment Income (Loss) | (46)       | Equities              | 1,082   | 4,104    |
| Warrants               | Investment Income (Loss) | (73)       | Equities              | 34      | 8        |

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, 2015, the ARMB had the following foreign currency risk related to forward contracts (in thousands):

| Currency Name      | Options         | Net Receivables | Net Payables  | Total Exposure  |
|--------------------|-----------------|-----------------|---------------|-----------------|
| Australian Dollar  | \$ 29           | \$ -            | \$ -          | \$ 29           |
| Euro Currency      | 984             | -               | -             | 984             |
| New Zealand Dollar | -               | -               | 251           | 251             |
| Singapore Dollar   | 101             | -               | -             | 101             |
|                    | <u>\$ 1,114</u> | <u>\$ -</u>     | <u>\$ 251</u> | <u>\$ 1,365</u> |

At June 30, 2015 the ARMB had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

| Counterparty Name   | Net Exposure<br>(in thousands) | S&P<br>Rating | Fitch<br>Rating | Moody's<br>Rating |
|---|--------------------------------|---------------|-----------------|-------------------|
| State Street Bank London  | \$ 251                         | A+            | AA-             | A2                |
| Maximum Amount of Loss in Case of Default by all Counterparties       | 251                            |               |                 |                   |
| Effect of Collateral Reducing Maximum Exposure                        | -                              |               |                 |                   |
| Liabilities Subject to Netting Arrangements Reducing Maximum Exposure | -                              |               |                 |                   |
| Resulting Net Exposure  | <u>\$ 251</u>                  |               |                 |                   |

#### DEFERRED COMPENSATION PLAN

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds, an Interest Income Fund and wholly-owned Pooled Investment Funds. At June 30, 2015, Deferred Compensation Plan investments totaled \$813.6 million.

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

#### **Interest Rate Risk**

##### Collective Investment and Money Market Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for the Deferred Compensation Plan are subject to the provisions of the collective investment funds the ARMB has selected. In addition, the Deferred Compensation Plan maintains a balance in a commingled money market portfolio.

The ARMB does not have a policy to limit interest rate risk for the collective investment funds or the institutional treasury money market fund. These investments with their related weighted average maturities at June 30, 2015, are as follows:

|  | Fair Value<br>(in thousands) | Weighted Average<br>Maturity |
|--|------------------------------|------------------------------|
| Government/Credit Bond Index Fund        | \$ 30,290                    | 8.24 years                   |
| Intermediate Bond Fund                   | 14,607                       | 3.92 years                   |
| Institutional Treasury Money Market Fund | 11,911                       | 27 days                      |
| Long U.S. Treasury Bond Index Fund       | 4,034                        | 24.86 years                  |
| U.S. TIPS Index Fund                     | 7,361                        | 8.54 years                   |
| World Government Bond Ex-U.S. Index Fund | 3,739                        | 9.55 years                   |
| MassMutual Bond Fund                     | 62                           | 5.14 years                   |

### Interest Income Fund

ARMB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.82 years at June 30, 2015. The duration of the Barclays Capital Intermediate Aggregate Index was 4.07 years at June 30, 2015.

Duration is a measure of interest rate risk. In the case of the Deferred Compensation Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows.

### Pooled Investment Funds

Duration is a measure of a security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

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

For government and corporate debt securities, duration is limited to  $\pm 0.2$  years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclay's TIPS Index, and five percent Barclays Long U.S. Treasury Bond Index. At June 30, 2015, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 35.92 days at June 30, 2015.

The ARMB does not have a policy to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

### **Credit Risk**

The ARMB does not have a policy to limit credit risk for the Deferred Compensation Plan's Collective Investment Funds and the commingled money market portfolio. These investments are not rated.

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

Synthetic Investment contract issuers must have an investment grade rating;

Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent;

Corporate debt securities must have a minimum rating of BBB- or equivalent;

Asset-backed securities must have a minimum rating of AAA or equivalent;

The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

The ARMB's investment policy has the following limitations with regard to credit risk for wholly-owned pooled investments:

All government and corporate fixed income securities must be rated BBB- or better at time of purchase;

Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe Price's internal credit evaluation;

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

At June 30, 2015, Deferred Compensation Plan's investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

|   |           | Fair Market Value (in thousands)                   |            |            |
|---|-----------|--|------------|------------|
|   |           | Underlying<br>Synthetic<br>Investment<br>Contracts | Other      | Total      |
| Investment type                                   | Rating    |  |            |            |
| Investments with credit exposure:                 |           |  |            |            |
| Money Market Fund                                 | Not Rated | \$ 9,149   | \$ 33      | \$ 9,182   |
| Short-term Investment Fund                        | Not Rated | 1,407  | -          | 1,407      |
| U.S. Government Agency                            | AA        | 7,850  | -          | 7,850      |
| Mortgage-backed                                   | AAA       | 1,810  | -          | 1,810      |
| Mortgage-backed                                   | A         | 1,237  | -          | 1,237      |
| Mortgage-backed                                   | Not Rated | 52,479   | -          | 52,479     |
| Other Asset-backed                                | AAA       | 5,066  | -          | 5,066      |
| Other Asset-backed                                | AA        | 3,402  | -          | 3,402      |
| Corporate Bonds                                   | AAA       | 172  | -          | 172        |
| Corporate Bonds                                   | AA        | 4,869  | -          | 4,869      |
| Corporate Bonds                                   | A         | 17,072   | -          | 17,072     |
| Corporate Bonds                                   | BBB       | 14,851   | -          | 14,851     |
| Corporate Bonds                                   | Not Rated | 473  | -          | 473        |
| Yankees Corporate                                 | AA        | 2,096  | -          | 2,096      |
| Yankees Corporate                                 | A         | 7,160  | -          | 7,160      |
| Yankees Corporate                                 | BBB       | 1,998  | -          | 1,998      |
| Yankees Government                                | AAA       | 2,254  | -          | 2,254      |
| Yankees Government                                | AA        | 1,174  | -          | 1,174      |
| Yankees Government                                | A         | 1,187  | -          | 1,187      |
| Deposits and Investments with no credit exposure: |           |  |            |            |
| Deposits  | Not Rated | (858)  | -          | (858)      |
| U.S. Treasury Notes                               | AA        | 34,545   | -          | 34,545     |
| U.S. Treasury Notes                               | Not Rated | 16,037   | -          | 16,037     |
| Collective Investment Funds                       | Not Rated | -  | 384,616    | 384,616    |
| Wholly Owned Pooled                               | Not Rated | -  | 127,850    | 127,850    |
| Wholly Owned Domestic Equity                      | Not Rated | -  | 113,433    | 113,433    |
| MassMutual Stock Fund                             | Not Rated | -  | 2,192      | 2,192      |
| MassMutual Bond Fund                              | Not Rated | -  | 62         | 62         |
| Total Invested Assets                             |           | \$ 185,430   | \$ 628,186 | \$ 813,616 |

### Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2015, the Deferred Compensation Plan's deposits were uncollateralized and uninsured.

### Concentration of Credit Risk

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

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



No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Interest Income Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

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

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

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

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

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

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

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

At June 30, 2015, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

### **Foreign Currency Risk**

The ARMB does not have a policy to limit foreign currency risk associated with collective investment funds. The Deferred Compensation Plan has exposure to foreign currency risk in the International Equity and Global Balanced collective investment funds.

The ARMB's policy with regard to the Interest Income Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

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

### **SUPPLEMENTAL BENEFITS SYSTEM**

The State's Supplemental Benefits System (SBS) holds investments in several collective investment funds, a Stable Value Fund and wholly-owned Pooled Investment Funds. At June 30, 2015, SBS investments totaled \$3.403 billion.

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

### Interest Rate Risk

#### Collective Investment and Money Market Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for SBS are subject to the provisions of the collective investment funds the ARMB has selected. In addition, SBS maintains a balance in a commingled money market portfolio. The ARMB does not have a policy to limit interest rate risk for these investments.

|  | Fair Value<br>(in thousands) | Weighted<br>Average<br>Maturity |
|--|------------------------------|---------------------------------|
| Government/Credit Bond Index Fund        | \$ 53,686                    | 8.24 years                      |
| Institutional Treasury Money Market Fund | 38,715                       | 27 days                         |
| Intermediate Bond Fund                   | 12,274                       | 3.92 years                      |
| Long U.S. Treasury Bond Index Fund       | 12,181                       | 24.86 years                     |
| U.S. TIPS Index Fund                     | 15,533                       | 8.54 years                      |
| World Government Bond Ex-U.S. Index Fund | 10,528                       | 9.55 years                      |

#### Short-term Fixed Income Pool

The Investment Loss Trust Fund and the SBS's cash and cash equivalents are invested in the State's internally managed Short-term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months in maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

#### Stable Value Fund

The ARMB contracts with an external investment manager who is given the authority to invest in synthetic investment contracts and a reserve. This external manager also manages the securities underlying the synthetic investment contracts.

Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on synthetic investment contracts as follows:

For constant duration synthetic investment contracts, duration cannot exceed the longer of six years or the duration of the Barclays Capital Intermediate Aggregate Index plus one-half year. The aggregate duration of the constant duration synthetic investment contracts was 3.84 years at June 30, 2015. The duration of the Barclays Capital Intermediate Aggregate Index was 4.07 years at June 30, 2015;

Duration is a measure of interest rate risk. In the case of the SBS's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the SBS's structured payout synthetic investment contracts is the weighted average maturity of the contract payments.

The ARMB does not have a policy to limit interest rate risk for the reserve. The balance in the reserve is invested in the custodian's Institutional Treasury Money Market Fund.

Pooled Investment Funds

Duration is a measure of a security's sensitivity to a 100-basis point change in interest rates. Duration, for the securities in the pooled investment funds, is the fair value weighted average term to maturity for each security taking into account all related cash flows.

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

For government and corporate debt securities, duration is limited to  $\pm 0.2$  years of the blended benchmark of 70 percent Barclays U.S. Intermediate Aggregate Bond Index, 15 percent Barclays U.S. Floating Rate Note Index, 10 percent Barclays TIPS Index, and 5 percent Barclays Long U.S. Treasury Bond Index. At June 30, 2015, the blended Barclays Bond Index duration was 3.98 years, and the duration of the Aggregate Bond Trust was 3.93 years.

The weighted average maturity of the money market portfolio was 35.92 days at June, 30, 2015.

The ARMB does not have a policy to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

**Credit Risk**

The ARMB does not have a policy to limit credit risk for SBS's Collective Investment Funds and commingled money market portfolio. These investments are not rated.

Treasury's investment policy limits credit risk in the Short-term Fixed Income Pool by limiting investments to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P-1 or equivalent. Treasury's investment policy further limits investments in institutional money market funds to those rated AAA. Treasury does not have a policy to limit credit risk associated with deposit accounts or investment funds maintained by the custodian.

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

Synthetic investment contract issuers must have an investment grade rating;

Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent;

Corporate debt securities must have a minimum rating of BBB- or equivalent;

Asset-backed securities must have a minimum rating of AAA or equivalent;

The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

The ARMB's investment policy has the following limitations with regard to credit risk for wholly-owned pooled investments:

All government and corporate fixed income securities must be rated BBB- or better at time of purchase;

Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe Price's internal credit evaluation;

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

At June 30, 2015, SBS investments consisted of securities with credit quality ratings issued by a nationally recognized statistical rating organization as follows (using the Standard & Poor's rating scale):

| Investment type                                   | Rating    | Fair Market Value (in thousands) |            |              |              |
|---|-----------|----------------------------------|------------|--------------|--------------|
|   |           | Underlying                       | Synthetic  | Investment   | Total        |
|   |           | Investment                       | Investment |              |              |
|   |           | Contracts                        | Loss Trust | Other        |              |
| Investments with Credit Exposure:                 |           |                                  |            |              |              |
| Money Market Fund                                 | Not Rated | \$ 31,091                        | \$ -       | \$ 1,101     | \$ 32,192    |
| Short-term Investment Fund                        | Not Rated | 3,343                            | -          | -            | 3,343        |
| Commercial Paper                                  | AAA       | -                                | 240        | -            | 240          |
| Commercial Paper                                  | Not Rated | -                                | 93         | -            | 93           |
| U.S. Government Agency                            | AA        | 11,220                           | -          | -            | 11,220       |
| U.S. Government Agency                            | Not Rated | -                                | 469        | -            | 469          |
| Mortgage-backed                                   | AAA       | 3,433                            | 33         | -            | 3,466        |
| Mortgage-backed                                   | AA        | -                                | 5          | -            | 5            |
| Mortgage-backed                                   | A         | 1,483                            | 5          | -            | 1,488        |
| Mortgage-backed                                   | Not Rated | 95,476                           | 1          | -            | 95,477       |
| Other Asset-backed                                | AAA       | 10,045                           | 1,451      | -            | 11,496       |
| Other Asset-backed                                | AA        | -                                | 76         | -            | 76           |
| Other Asset-backed                                | A         | -                                | 48         | -            | 48           |
| Other Asset-backed                                | Not Rated | 5,112                            | 509        | -            | 5,621        |
| Corporate Bonds                                   | AAA       | 292                              | -          | -            | 292          |
| Corporate Bonds                                   | AA        | 7,614                            | 32         | -            | 7,646        |
| Corporate Bonds                                   | A         | 30,961                           | 40         | -            | 31,001       |
| Corporate Bonds                                   | BBB       | 24,309                           | -          | -            | 24,309       |
| Corporate Bonds                                   | Not Rated | 1,161                            | -          | -            | 1,161        |
| Yankees Corporate                                 | AA        | 4,613                            | 19         | -            | 4,632        |
| Yankees Corporate                                 | A         | 13,566                           | 18         | -            | 13,584       |
| Yankees Corporate                                 | BBB       | 3,601                            | -          | -            | 3,601        |
| Yankees Corporate                                 | Not Rated | 201                              | -          | -            | 201          |
| Yankees Government                                | AAA       | 3,612                            | -          | -            | 3,612        |
| Yankees Government                                | AA        | 1,996                            | -          | -            | 1,996        |
| Yankees Government                                | A         | 1,922                            | -          | -            | 1,922        |
| Deposits and Investments with No Credit Exposure: |           |                                  |            |              |              |
| Deposits  | Not Rated | (2,327)                          | -          | -            | (2,327)      |
| U.S. Treasury Bills                               | Not Rated | -                                | 69         | -            | 69           |
| U.S. Treasury Notes                               | AA        | 66,925                           | -          | -            | 66,925       |
| U.S. Treasury Notes                               | Not Rated | 32,105                           | 93         | -            | 32,198       |
| Participant-directed Funds:                       |           |                                  |            |              |              |
| Collective Investment Funds                       | Not Rated | -                                | -          | 671,236      | 671,236      |
| Pooled Investment Funds                           | Not Rated | -                                | -          | 2,122,935    | 2,122,935    |
| Wholly Owned Domestic                             | Not Rated | -                                | -          | 175,073      | 175,073      |
| Wholly Owned International                        | Not Rated | -                                | -          | 81,572       | 81,572       |
| ILTF Assets Not Reported with SBS                 | Not Rated | -                                | (1,123)    | -            | (1,123)      |
| Total Invested Assets                             |           | 351,754                          | 2,078      | 3,051,917    | 3,405,749    |
| Pool Related Net (Liabilities)                    |           | -                                | (138)      | -            | (138)        |
| Total   |           | \$ 351,754                       | \$ 1,940   | \$ 3,051,917 | \$ 3,405,611 |

### Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At June 30, 2015, SBS's deposits were uncollateralized and uninsured.

### Concentration of Credit Risk

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

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

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

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed 35 percent of the Stable Value Fund's total value.

No investment will be made if, at the time of the purchase, total investment in any single issuer or in all issuers of the securities held as supporting investments under synthetic investment contracts in the table below would exceed the respective percentages of all investments underlying the synthetic investment contracts.

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

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

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

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

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

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

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

At June 30, 2015, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

### Foreign Currency Risk

The ARMB does not have a policy to limit foreign currency risk associated with collective investment funds. SBS has exposure to foreign currency risk in the International Equity and the Global Balanced collective investment funds.

The ARMB's policy with regard to the Stable Value Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

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

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

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

**State investment regulations**

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

**Investment policy – Asset allocation**

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

At June 30, 2015, the APFC's strategic asset allocation targets were as follows:

| <u>Risk Class</u>       | <u>Asset Class</u>  | <u>Risk<br/>Class<br/>Target</u> | <u>Asset<br/>Class<br/>Target</u> |
|-------------------------|---|----------------------------------|-----------------------------------|
| Cash and Interest Rates |   | 6%                               |                                   |
|                         | Cash  |                                  | 1.2%                              |
|                         | U.S. Government Bonds and International<br>Developed Government Bonds (currency hedged) |                                  | 4.8%                              |
| Company Exposure        |   | 55%                              |                                   |
|                         | Global Credit   |                                  | 11%                               |
|                         | Public/Private Credit   |                                  | 2%                                |
|                         | Global Equity   |                                  | 36%                               |
|                         | Private Equity  |                                  | 6%                                |
| Real Assets             |   | 19%                              |                                   |
|                         | Real Estate   |                                  | 12%                               |
|                         | Infrastructure  |                                  | 4%                                |
|                         | U.S. Treasury Inflation Protection Securities   |                                  | 3%                                |
| Special Opportunities   |   | 20%                              |                                   |
|                         | Absolute Return Mandate   |                                  | 6%                                |
|                         | Real Return Mandate   |                                  | 7%                                |
|                         | Emerging Markets Multi-Asset  |                                  | 2%                                |
|                         | Fixed Income Aggregate  |                                  | 2%                                |
|                         | Debt Opportunities  |                                  | 1%                                |
|                         | True Special Opportunities  |                                  | 2%                                |

Capital that is not invested in the special opportunities risk class resides in the company exposure risk class. To allow for market fluctuations and to minimize transaction costs, the Trustees have adopted ranges that permit percentage deviations from the strategic asset allocation targets in accordance with specified reporting requirements and other procedures. Generally, for each risk and asset class, the APFC's chief investment officer has discretionary authority to permit target deviations within one specified range (referred to as the "green zone" in the investment policy), the APFC's executive director can approve target deviations for up to 90 days within a broader range (the "yellow zone"), and the Board can approve operating for longer than 30 days within a third range (the "red zone"). For example, the target dollar allocation for the cash and interest rate risk class is six percent, with the green zone range set at five to 7.5 percent, the yellow zone range set at 7.5 to nine percent, and red zone ranges set at allocations of less than five percent or greater than nine percent. In a similar manner, the APFC investment policy also requires the APFC to monitor relative risk (the expected investment portfolio's risk and return relative to the risk benchmark using standard industry risk measures), active budget risk (risk due to active management decisions made by managers), and limits on private investments and future commitments.

### Interest Rate Risk

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

At June 30, 2015, the Fund held fixed income investments with floating, variable, and step interest rates, valued at \$151,024 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from zero to 15 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 fair value of futures does not appear in the balance sheets. The net unrealized gain or loss on open futures trades is included in investments on the balance sheets, based on the difference between the future's purchase price and the current value of such index futures. Realized gains and losses on futures are included in the net increase in the fair value of investments at the time the futures contract expires. The net change in unrealized gains and losses is included in the net increase in the fair value of investments.



### Cash and Temporary Investments

The amounts shown on the balance sheets as cash and temporary investments include cash on deposit at the custodian bank, cash swept to overnight investment funds, cash held at futures brokers, petty cash, U.S. Treasury bills, and the net fair value of foreign exchange forward contracts. The APFC's asset allocation includes 1.2 percent to cash. APFC's investment policy specifies that funds dedicated to this portion of the asset allocation will be invested in money market funds or fixed income securities with weighted-average maturities of no greater than 24 months.

Cash and temporary investments, which include the market values of foreign currency (FX) and FX forward exchange contracts, are summarized as follows at June 30, 2015 (in thousands):

|                                      |                     |
|--------------------------------------|---------------------|
| Cash                                 | \$ 101,785          |
| Pooled Funds                         | 1,786,778           |
| U.S. Treasury Bills                  | 966                 |
| Total Cash and Temporary Investments | <u>\$ 1,889,529</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, 2015, are summarized as follows (in thousands), categorized by debt instrument type and by country of registration:

|   | <u>Cost</u>         | <u>Fair Value</u>   | <u>Unrealized<br/>Gains/(Losses)</u> |
|---|---------------------|---------------------|--------------------------------------|
| Treasury and Government Notes/Bonds         | \$ 3,729,987        | \$ 3,717,730        | \$ (12,257)                          |
| Mortgage-backed Securities                  | 815,922             | 821,264             | 5,342                                |
| Corporate Bonds                             | 3,956,455           | 3,896,390           | (60,065)                             |
| Commercial Mortgage/Asset-backed Securities | 389,415             | 387,735             | (1,680)                              |
| Non-U.S. Treasury and Government Bonds      | 1,285,547           | 1,196,747           | (88,800)                             |
| Non-U.S. Corporate Bonds                    | 1,099,154           | 1,096,562           | (2,592)                              |
| Total Marketable Debt Securities            | <u>\$11,276,480</u> | <u>\$11,116,428</u> | <u>\$ (160,052)</u>                  |

### Marketable Debt Credit Ratings

To manage credit risk for marketable debt securities, the APFC monitors fair values of all securities daily and routinely reviews its investment holdings' credit ratings. For accounts with an investment grade mandate (approximately 92 percent of bond mandates at June 30, 2015), 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 8 percent of bond mandates at June 30, 2015) 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, 2015, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

| NRSRO Quality Rating   | Domestic            | Non-domestic        | Total<br>Fair Value  | Percent<br>of<br>Holdings |
|--|---------------------|---------------------|----------------------|---------------------------|
| AAA  | \$ 446,140          | \$ 187,400          | \$ 633,540           | 5.70%                     |
| AA   | 253,948             | 479,123             | 733,071              | 6.60%                     |
| A  | 1,550,446           | 618,494             | 2,168,940            | 19.51%                    |
| BBB  | 1,579,382           | 735,446             | 2,314,828            | 20.82%                    |
| BB   | 26,396              | 74,780              | 101,176              | 0.91%                     |
| B  | 47,789              | 109,200             | 156,989              | 1.41%                     |
| CCC  | 31,430              | 7,622               | 39,052               | 0.35%                     |
| CC   | 510                 | 6,664               | 7,174                | 0.06%                     |
| C  | -                   | -                   | -                    | 0.00%                     |
| D  | 1,475               | -                   | 1,475                | 0.01%                     |
| Total Fair Value of Rated Debt Securities                        | 3,937,516           | 2,218,729           | 6,156,245            | 55.37%                    |
| Commingled Bond Funds  | 365,464             | -                   | 365,464              | 3.29%                     |
| Not Rated  | 23,218              | 74,580              | 97,798               | 0.88%                     |
| U.S. Government Explicitly Backed<br>by the U.S. Government (AA) | 3,896,981           | -                   | 3,896,981            | 35.06%                    |
| U.S. Government Implicitly Backed<br>by the U.S. Government (AA) | 599,940             | -                   | 599,940              | 5.40%                     |
| Total Fair Value Debt Securities                                 | <u>\$ 8,823,119</u> | <u>\$ 2,293,309</u> | <u>\$ 11,116,428</u> | <u>100.00%</u>            |

#### Marketable Debt Duration

To manage its interest rate risk on marketable debt securities, the APFC monitors fair values daily and routinely reviews portfolio effective duration in comparison to established benchmarks. At June 30, 2015, the effective duration by investment type, based on fair value, is as follows:

|   | Percent of bond<br>holdings | Duration    |
|---|-----------------------------|-------------|
| <b>Domestic Bonds</b>                           |                             |             |
| Treasuries and Government Notes/Bonds           | 42.14%                      | 2.25        |
| Mortgage-backed Securities                      | 9.31%                       | 0.50        |
| Corporate Bonds                                 | 44.16%                      | 2.72        |
| Commercial Mortgage and Asset-backed Securities | 4.39%                       | 0.22        |
| Total Domestic Bonds                            | <u>100.00%</u>              | <u>5.69</u> |
| <b>Non-domestic Bonds</b>                       |                             |             |
| Non-U.S. Treasury and Government Bonds          | 52.18%                      | 3.38        |
| Non-U.S. Corporate Bonds                        | 47.82%                      | 2.50        |
| Total Non-domestic Bonds                        | <u>100.00%</u>              | <u>5.88</u> |

### Preferred and Common Stock

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

Preferred and common stocks and commingled stock funds at June 30, 2015 are summarized as follows (in thousands based on currency of trade), and include the net fair value of equity index futures of -\$1.6 million:

|                                  | Cost                 | Fair Value          | Unrealized<br>Gains/(Losses) |
|----------------------------------|----------------------|---------------------|------------------------------|
| Direct Investments               |                      |                     |                              |
| Domestic Stock                   | \$ 6,130,187         | \$ 8,204,937        | \$ 2,074,750                 |
| Non-domestic Stock               | 11,211,255           | 12,266,269          | 1,055,014                    |
| Commingled Funds                 | 465,459              | 424,784             | (40,675)                     |
| Total Preferred and Common Stock | <u>\$ 17,806,901</u> | <u>\$20,895,990</u> | <u>\$ 3,089,089</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, 2015, 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<br>Equivalents | Foreign<br>Exchange<br>Forward<br>Contracts | Public and<br>Private Equity | Debt       | Total Foreign<br>Currency<br>Exposure |
|---------------------------------|-------------------------|---|------------------------------|------------|---------------------------------------|
| Australian Dollar               | \$ 2,500                | \$ 67,694                                   | \$ 447,412                   | \$ 15,460  | \$ 533,066                            |
| Brazilian Real                  | 1,595                   | (11,039)                                    | 203,760                      | 27,368     | 221,684                               |
| British Pound Sterling          | 22,739                  | (167,397)                                   | 2,020,013                    | 42,619     | 1,917,974                             |
| Canadian Dollar                 | 10,062                  | (22,911)                                    | 628,878                      | 13,258     | 629,287                               |
| Chilean Peso                    | 131                     | (1,881)                                     | 16,461                       | 3,900      | 18,611                                |
| Chinese Yuan Renminbi           | 3,273                   | -   | -                            | -          | 3,273                                 |
| Colombian Peso                  | 543                     | (4,272)                                     | 3,916                        | 20,363     | 20,550                                |
| Czech Koruna                    | 93                      | -   | 2,876                        | -          | 2,969                                 |
| Danish Krone                    | 730                     | (5,713)                                     | 123,694                      | 1,747      | 120,458                               |
| Egyptian Pound                  | 37                      | -   | 1,859                        | -          | 1,896                                 |
| Euro Currency                   | 10,059                  | (177,754)                                   | 2,665,231                    | 211,978    | 2,709,514                             |
| Ghanaian Cedi                   | 414                     | -   | -                            | 7,511      | 7,925                                 |
| Hong Kong Dollar                | 23,197                  | (7,656)                                     | 1,050,182                    | -          | 1,065,723                             |
| Hungarian Forint                | 712                     | (85)  | 3,002                        | 6,404      | 10,033                                |
| Indian Rupee                    | 2,313                   | (967)                                       | 331,457                      | 60,253     | 393,056                               |
| Indonesian Rupiah               | 970                     | (2,218)                                     | 87,856                       | 39,794     | 126,402                               |
| Israeli Shekel                  | (779)                   | 4,244                                       | 55,892                       | -          | 59,357                                |
| Japanese Yen                    | (9,768)                 | 32,959                                      | 1,897,183                    | 152,845    | 2,073,219                             |
| Malaysian Ringgit               | 741                     | (7,944)                                     | 112,839                      | 22,688     | 128,324                               |
| Mexican Peso                    | 2,037                   | (29,690)                                    | 116,922                      | 82,807     | 172,076                               |
| New Zealand Dollar              | 98                      | (24,437)                                    | 14,652                       | 8,127      | (1,560)                               |
| Nigerian Naira                  | 170                     | -   | -                            | 3,940      | 4,110                                 |
| Norwegian Krone                 | 541                     | (34,591)                                    | 67,970                       | 11,479     | 45,399                                |
| Peruvian Nuevo Sol              | 3                       | -   | -                            | 5,863      | 5,866                                 |
| Philippine Peso                 | 393                     | (357)                                       | 26,163                       | 2,168      | 28,367                                |
| Polish Zloty                    | 446                     | (3,424)                                     | 20,725                       | 5,182      | 22,929                                |
| Qatari Riyal                    | 5                       | -   | 37,072                       | -          | 37,077                                |
| Russian Ruble                   | 69                      | -   | -                            | 2,334      | 2,403                                 |
| Singapore Dollar                | 1,150                   | (2,853)                                     | 80,918                       | 8,041      | 87,256                                |
| South African Rand              | 2,626                   | (12,354)                                    | 238,042                      | 30,465     | 258,779                               |
| South Korean Won                | 1,750                   | (19,628)                                    | 406,192                      | 9,590      | 397,904                               |
| Swedish Krona                   | 189                     | 11,158                                      | 219,046                      | 3,241      | 233,634                               |
| Swiss Franc                     | (5,494)                 | (69,388)                                    | 581,247                      | -          | 506,365                               |
| Taiwan Dollar                   | 6,694                   | (2,813)                                     | 441,584                      | -          | 445,465                               |
| Thai Baht                       | 345                     | 194   | 84,495                       | -          | 85,034                                |
| Turkish Lira                    | 1,072                   | (133)                                       | 79,864                       | 40,860     | 121,663                               |
| UAE Dirham                      | -                       | -   | 31,878                       | -          | 31,878                                |
| Uruguayan Peso                  | -                       | -   | -                            | 1,453      | 1,453                                 |
| Total foreign currency exposure | \$ 81,656               | \$ (493,256)                                | \$12,099,281                 | \$ 841,738 | \$12,529,419                          |

Cash amounts in the schedule above include receivables, payables, certificates of deposit, and cash balances in each related currency. If payables exceed receivables and cash balances in a currency, then the total cash balance for that currency will appear as a negative value. The remaining Fund assets are invested in U.S. cash, equities, and debt, as well as in direct real

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

### Real Estate

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

The APFC periodically reviews real estate investments for other than temporary impairment. During FY 15 it was determined that a real estate property was impaired and would not recover its carrying costs over the remaining estimated holding period of the asset. In order to reflect the impairment in the statutory net income and fund balance classification, \$1.8 million of unrealized losses were realized through a write-down of cost to fair value. The impairment has no impact on the carrying value of investments or on the net increase/(decrease) in the fair value of investments.

Real estate investments at June 30, 2015 are summarized as follows (in thousands):

|                               | Cost                | Fair Value          | Unrealized Holding Gains (Losses) |
|-------------------------------|---------------------|---------------------|-----------------------------------|
| Real Estate Investment Trusts | \$ 939,638          | \$ 1,126,381        | \$ 186,743                        |
| American Homes 4 Rent II      | 118,766             | 118,766             | -                                 |
| Directly Owned Real Estate:   |                     |                     |                                   |
| Retail                        | 676,775             | 1,539,478           | 862,703                           |
| Office                        | 1,279,564           | 1,739,944           | 460,380                           |
| Hotel                         | 50,358              | 50,358              | -                                 |
| Development                   | 49,415              | 49,411              | (4)                               |
| Industrial                    | 231,022             | 289,834             | 58,812                            |
| Multifamily                   | 1,098,829           | 1,566,719           | 467,890                           |
| Total Real Estate             | <u>\$ 4,444,367</u> | <u>\$ 6,480,891</u> | <u>\$ 2,036,524</u>               |

### Alternative Investments

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

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

Absolute return strategies are investments in specialized funds 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"). In late FY 15, two direct investments were added, 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. Because of the off-exchange and private nature of many absolute return strategies, investments may have no ascertainable market prices 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 ascertainable market prices, and the estimated fair values may differ significantly from values that would be obtained in a market transaction for the assets. During FY 15 it was determined that three 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 the statutory net income and fund balance classifications, \$29 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 in the fair value of private equity investments.

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

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

Alternative investments at June 30, 2015 are summarized as follows (in thousands):

|                               | Cost                | Fair Value          | Unrealized Holding Gains |
|-------------------------------|---------------------|---------------------|--------------------------|
| Real Return                   | \$ 1,750,363        | \$ 2,190,503        | \$ 440,140               |
| Absolute Return               | 2,918,369           | 3,140,575           | 222,206                  |
| Private Equity                | 3,579,669           | 5,239,202           | 1,659,533                |
| Infrastructure                | 1,427,313           | 1,494,454           | 67,141                   |
| Distressed and Mezzanine Debt | 1,149,480           | 1,352,603           | 203,123                  |
| Total Alternative Investments | <u>\$10,825,194</u> | <u>\$13,417,337</u> | <u>\$ 2,592,143</u>      |

As of June 30, 2015, the APFC, on behalf of the Fund, had outstanding future funding commitments of: \$4.6 billion for private equity; \$781 million for infrastructure; and \$183 million for distressed and mezzanine debt investments combined. Many alternative investments have liquidity constraints and may not be available for cash withdrawal until a specified period of time has elapsed.

### Emerging Markets Total Opportunities

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

Emerging market mandates at June 30, 2015 are summarized as follows (in thousands):

|                                      | Cost       | Fair Value | Unrealized Holding Losses |
|--------------------------------------|------------|------------|---------------------------|
| Emerging Markets Total Opportunities | \$ 648,928 | \$580,508  | \$ (68,420)               |

### 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, 2015, 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, 2015 the value of securities on loan is as follows (in thousands):

|  |            |
|--|------------|
| Fair Value of Securities on Loan, Secured by Cash Collateral     | \$ 837,250 |
| Cash Collateral  | 896,616    |
| Fair Value of Securities on Loan, Secured by Non-cash Collateral | 5,782,162  |
| Non-cash Collateral  | 6,341,870  |

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2015, the Fund incurred no losses from securities lending transactions. The Fund received income of \$16,440 thousand from securities lending for the year ended June 30, 2015, which is recorded in real estate and other income on the statements of revenues, expenditures and changes in fund balances.

### Investment Income by Source

Investment income during the year ended June 30, 2015, is summarized as follows (in thousands):

|  |                   |
|--|-------------------|
| <b>Interest</b>  |                   |
| Marketable Debt Securities   | \$ 345,490        |
| Short-term Domestic and Other  | 11,633            |
| Total Interest   | <u>\$ 357,123</u> |
| <b>Dividends</b>   | <u>\$ 550,297</u> |
| <b>Real Estate and Other Income</b>                                      |                   |
| Directly Owned Real Estate Net Rental Income                             | \$ 163,031        |
| Real Estate Investment Trust Dividends                                   | 23,109            |
| Real Return Interest and Dividends                                       | 10,396            |
| Absolute Return Management Expenses, Net of Dividend and Interest Income | (12,240)          |
| Distressed and Mezzanine Debt Interest Income, Net of Fees               | 17,091            |
| Infrastructure Interest and Dividend Income, Net of Fees                 | 20,410            |
| Private Equity Dividend Income, Net of Management Expenses               | (843)             |
| Class Action Litigation Income   | 2,901             |
| Loaned Securities, Commission Recapture and Other Income                 | 16,817            |
| Total Real Estate and Other Income                                       | <u>\$ 240,672</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, 2015 ranged between one and 112 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, 2015 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 15 are summarized as follows (in thousands):

|   |                    |
|---|--------------------|
| Balances at June 30, 2015                             |                    |
| Face Value of FX Forward Contracts                    | \$2,345,395        |
| Net Unrealized Holding Losses on FX Forward Contracts | (2,333)            |
| Fair Value of FX Forward Contracts                    | <u>\$2,343,062</u> |
| Activity for Fiscal Year Ending June 30, 2015         |                    |
| Change in Unrealized Holding Losses                   | \$ (138)           |
| Realized Gains  | 104,127            |
| Net Increase in Fair Value of FX Forward Contracts    | <u>\$ 103,989</u>  |



Certain APFC equity investment managers are permitted to trade in equity index futures for the Fund's account, and beginning in FY 12, the internal fixed income management team began trading U.S. Treasury index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity and fixed income index futures are settled with cash for the net difference between the trade price and the settle price.

Activity and balances related to equity index futures for FY 15 are summarized as follows (in thousands):

|  |                   |
|--|-------------------|
| Balances at June 30, 2015                          |                   |
| Face Value of Equity Index Futures                 | \$ 141,247        |
| Net Unrealized Holding Losses on Futures           | (1,586)           |
| Fair Value of Equity Index Futures                 | <u>\$ 139,661</u> |
| Activity for Fiscal Year Ending June 30, 2015      |                   |
| Change in Unrealized Holding Losses                | \$ (2,020)        |
| Realized Gains                                     | 20,164            |
| Net Increase in Fair Value of Equity Index Futures | <u>\$ 18,144</u>  |

Activity and balances related to U.S. Treasury index futures for FY 15 are summarized as follows (in thousands):

|   |                     |
|---|---------------------|
| Balances at June 30, 2015                           |                     |
| Face Value of U.S. Treasury Index Futures           | \$ (236,582)        |
| Net Unrealized Holding Gains on Futures             | 157                 |
| Fair Value of U.S. Treasury Index Futures           | <u>\$ (236,425)</u> |
| Activity for Fiscal Year Ending June 30, 2015       |                     |
| Change in Unrealized Holding Losses                 | \$ (113)            |
| Realized Gains                                      | 537                 |
| Net Increase in Fair Value of U.S. Treasury Futures | <u>\$ 424</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                 | 1-50        | All                      | 5-40        |
| Machinery/equipment      | 100,000                 | 3-60        | 5,000                    | 5-10        |
| Construction in Progress |                         |             |                          |             |

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

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

Capital asset activities for the fiscal year ended June 30, 2015, are as follows (in millions):

| Governmental Activities                     | Beginning<br>Balance | Additions | Deletions | Ending<br>Balance |
|---|----------------------|-----------|-----------|-------------------|
| Capital assets not being depreciated:       |                      |           |           |                   |
| Intangible - Easements and Right-of-Way     | \$ 596               | \$ 24     | \$ -      | \$ 620            |
| Land  | 340                  | 8         | -         | 348               |
| Construction in progress                    | 1,548                | 868       | (604)     | 1,812             |
| Total capital assets not being depreciated  | 2,484                | 900       | (604)     | 2,780             |
| Capital assets being depreciated:           |                      |           |           |                   |
| Buildings                                   | 1,984                | 76        | (14)      | 2,046             |
| Intangible - Software                       | 80                   | 6         | -         | 86                |
| Equipment                                   | 966                  | 30        | (16)      | 980               |
| Infrastructure                              | 7,383                | 497       | (5)       | 7,875             |
| Total capital assets being depreciated      | 10,413               | 609       | (35)      | 10,987            |
| Less accumulated depreciation for:          |                      |           |           |                   |
| Buildings                                   | (653)                | (58)      | 8         | (703)             |
| Intangible - Software                       | (69)                 | (10)      | -         | (79)              |
| Equipment                                   | (516)                | (42)      | 13        | (545)             |
| Infrastructure                              | (4,708)              | (339)     | 3         | (5,044)           |
| Total accumulated depreciation              | (5,946)              | (449)     | 24        | (6,371)           |
| Total capital assets being depreciated, net | 4,467                | 160       | (11)      | 4,616             |
| Capital assets, net                         | \$ 6,951             | \$ 1,060  | \$ (615)  | \$ 7,396          |

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

| Business-type Activities                    | Beginning<br>Balance | Additions    | Deletions       | Ending<br>Balance |
|---|----------------------|--------------|-----------------|-------------------|
| Capital assets not being depreciated:       |                      |              |                 |                   |
| Land  | \$ 31                | \$ -         | \$ -            | \$ 31             |
| Construction in progress                    | 96                   | 66           | (102)           | 60                |
| Total capital assets not being depreciated  | <u>127</u>           | <u>66</u>    | <u>(102)</u>    | <u>91</u>         |
| Capital assets being depreciated:           |                      |              |                 |                   |
| Buildings                                   | 1,088                | 27           | -               | 1,115             |
| Equipment                                   | 102                  | 5            | (2)             | 105               |
| Infrastructure                              | 825                  | 11           | -               | 836               |
| Total capital assets being depreciated      | <u>2,015</u>         | <u>43</u>    | <u>(2)</u>      | <u>2,056</u>      |
| Less accumulated depreciation for:          |                      |              |                 |                   |
| Buildings                                   | (349)                | (31)         | -               | (380)             |
| Equipment                                   | (69)                 | (7)          | 1               | (75)              |
| Infrastructure                              | (412)                | (27)         | -               | (439)             |
| Total accumulated depreciation              | <u>(830)</u>         | <u>(65)</u>  | <u>1</u>        | <u>(894)</u>      |
| Total capital assets being depreciated, net | <u>1,185</u>         | <u>(22)</u>  | <u>(1)</u>      | <u>1,162</u>      |
| Capital assets, net                         | <u>\$ 1,312</u>      | <u>\$ 44</u> | <u>\$ (103)</u> | <u>\$ 1,253</u>   |

The following relates to the land owned by the State:

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

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

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

| Governmental Activities   | Amount        |
|---|---------------|
| General Government  | \$ 9          |
| Education   | 10            |
| Health and Human Services   | 5             |
| Law and Justice   | 5             |
| Natural Resources   | 4             |
| Development   | 1             |
| Public Protection   | 24            |
| Transportation  | 359           |
| Depreciation on capital assets held by the state’s internal service funds is charged to the various functions based on their use of the assets. | <u>33</u>     |
| Total Depreciation Expense – Governmental Activities  | <u>\$ 450</u> |
| Business-type Activities  |               |
| Enterprise  | <u>\$ 65</u>  |

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. Intangibles are reported separately in the notes to the financial statements; however, on the face of the financial statements, intangibles are grouped with the asset class they most resemble. Software and Right of Use are grouped with equipment. Library and media are also grouped with Equipment. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2015 (in millions):

|  | Beginning<br>Balance<br>(Restated) | Additions | Deletions | Ending<br>Balance |
|--|------------------------------------|-----------|-----------|-------------------|
| Capital assets not being depreciated:                |                                    |           |           |                   |
| Land   | \$ 110                             | \$ 1      | \$ -      | \$ 111            |
| Museum collections                                   | 7                                  | -         | -         | 7                 |
| Construction in progress                             | 875                                | 289       | (701)     | 463               |
| Total capital assets not being depreciated           | 992                                | 290       | (701)     | 581               |
| Capital assets being depreciated/depleted:           |                                    |           |           |                   |
| Intangible - Software                                | 2                                  | -         | -         | 2                 |
| Intangible - Right of Use                            | 21                                 | -         | -         | 21                |
| Land   | 4                                  | -         | -         | 4                 |
| Library and Media                                    | 56                                 | 1         | (1)       | 56                |
| Buildings  | 1,861                              | 424       | (26)      | 2,259             |
| Equipment  | 598                                | 45        | (3)       | 640               |
| Infrastructure                                       | 1,458                              | 255       | -         | 1,713             |
| Total capital assets being depreciated/depleted      | 4,000                              | 725       | (30)      | 4,695             |
| Less accumulated depreciation/depletion for:         |                                    |           |           |                   |
| Intangible - Software                                | (1)                                | -         | -         | (1)               |
| Intangible - Right of Use                            | (6)                                | (1)       | -         | (7)               |
| Library and Media                                    | (45)                               | (1)       | -         | (46)              |
| Buildings  | (930)                              | (72)      | 13        | (989)             |
| Equipment  | (377)                              | (35)      | 3         | (409)             |
| Infrastructure                                       | (637)                              | (54)      | -         | (691)             |
| Total accumulated depreciation/depletion             | (1,996)                            | (163)     | 16        | (2,143)           |
| Total capital assets being depreciated/depleted, net | 2,004                              | 562       | (14)      | 2,552             |
| Capital assets, net                                  | \$ 2,996                           | \$ 852    | \$ (715)  | \$ 3,133          |

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

Beginning balances for the discretely presented component units have been restated. In FY 2015, the Alaska Gasline Development Corporation identified an error in the FY 2014 ending balance between software and equipment. The Capital Assets, net ending balance for FY 2014 was correct.

On August 25, 2014, a failure occurred on the launch vehicle within seconds of launch at Alaska Aerospace Corporation's (AAC) rocket launch facility on Kodiak Island, causing extensive damages to the facility. As a result AAC incurred a loss on impairment of capital assets of \$10,839,182 for the fiscal year ended June 30, 2015, and recognized insurance proceeds related to the loss of \$11,546,320.

**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 15 totaling \$1,594 thousand and \$1,684 thousand respectively. The proceeds were used to fund the State share of loan distributions and administration costs. In accordance with the Environmental Protection Agency regulations, interest and investment earnings were used to retire the bond anticipation notes. No balance was outstanding at year end.

The State issued bond anticipation notes during FY 15 totaling \$155.2 million that will mature in FY 16.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2015 is as follows (in thousands):

|                         | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|-------------------------|--------------------------|------------------|------------------|-----------------------|
| Bond Anticipation Notes | \$ 170,000               | \$ 155,215       | \$ 170,000       | \$ 155,215            |

The 2014 bond anticipation notes (BAN) were issued for the purpose of refunding the 2013C BAN and additional costs of State transportation projects. The 2015A BAN was issued for the purpose of refunding the 2014 BAN and additional costs of State transportation projects.

**LONG-TERM LIABILITIES**

The following table summarizes changes in long-term liabilities for Governmental Activities for the fiscal year ended June 30, 2015 (in thousands):

| <b>Governmental Activities</b> | <u>Beginning<br/>Balance<br/>(Restated)</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balance</u> | <u>Amounts Due<br/>Within One<br/>Year</u> |
|--------------------------------|---|-------------------|---------------------|---------------------------|--|
| Revenue bonds payable          | \$ 391,121                                  | \$ 1,231          | \$ 10,522           | \$ 381,830                | \$ 12,983                                  |
| General obligation debt        | 691,720                                     | 116,610           | 151,731             | 656,599                   | 40,834                                     |
| Capital leases payable         | 332,717                                     | 12,619            | 26,933              | 318,403                   | 28,229                                     |
| Unearned revenue               | 49,081                                      | 799               | 4,886               | 44,994                    | 31,139                                     |
| Certificates of participation  | 3,345                                       | 35,427            | 3,495               | 35,277                    | 3,346                                      |
| Compensated absences           | 178,363                                     | 164,893           | 167,044             | 176,212                   | 167,727                                    |
| Claims and judgments           | 141,543                                     | 56,555            | 42,332              | 155,766                   | 52,296                                     |
| Pollution Remediation          | 78,200                                      | 84,871            | 20,439              | 142,632                   | 13,239                                     |
| Other noncurrent liabilities   | 1,114                                       | 15                | 268                 | 861                       | 347  |
| Net pension liability          | 6,696,291                                   | -                 | 706,108             | 5,990,183                 | -  |
| Total                          | <u>\$ 8,563,495</u>                         | <u>\$ 473,020</u> | <u>\$ 1,133,758</u> | <u>\$ 7,902,757</u>       | <u>\$ 350,140</u>                          |

Beginning balances for capital leases payable was restated due to the Highways Equipment Working Capital Fund incorrectly reporting capital leases as notes payable. This also resulted in the notes payable balance being removed from the table above. Beginning balances for unearned revenue was restated due a prior period adjustment removing large scale enhanced oil recovery credits (LSEOR). A legal opinion found that a liability for LSEOR credits does not exist and should not be presented as such. Note 3 provides additional information for this prior period adjustment.

Beginning balances for net pension liability are being reported as a result of the implementation of GASB 68. Prior to FY 15, no net pension liability was reported. Note 3 provides additional information for this prior period adjustment.

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

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

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

The following table summarizes changes in long-term liabilities for Business-type Activities for the fiscal year ended June 30, 2015 (in thousands):

| <b>Business-type Activities</b> | Beginning<br>Balance<br>(Restated) | Increases       | Decreases        | Ending<br>Balance | Amounts Due<br>Within One<br>Year |
|---------------------------------|------------------------------------|-----------------|------------------|-------------------|-----------------------------------|
| Revenue bonds payable           | \$ 513,685                         | \$ -            | \$ 16,530        | \$ 497,155        | \$ 16,725                         |
| Unearned revenue                | 1,471                              | -               | 606              | 865               | 865                               |
| Compensated absences            | 4,471                              | 3,940           | 3,828            | 4,583             | 3,979                             |
| Pollution Remediation           | 1,193                              | -               | -                | 1,193             | 50                                |
| Net pension liability           | 73,888                             | -               | 7,439            | 66,449            | -                                 |
| Total                           | <u>\$ 594,708</u>                  | <u>\$ 3,940</u> | <u>\$ 28,403</u> | <u>\$ 570,245</u> | <u>\$ 21,619</u>                  |

Beginning balances for net pension liability are being reported as a result of the implementation of GASB 68. Prior to FY 15, no net pension liability was reported. Note 3 provides additional information for this prior period adjustment.

## **B. NET PENSION LIABILITY**

In implementing GASB 68, Net Pension Liability is being recorded in the schedule of long-term liabilities above. For PERS and TRS, the total pension liability for the June 30, 2014 measurement date was determined by actuarial valuations as of June 30, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by actuarial valuations as of June 30, 2013. JRS and NGNMRS was determined using actuarial valuations as of

June 30, 2014. 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 Increase   |
|--------|---|----------------|---|
| PERS   | 8%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%    | 3.12%          | Graded by service, from 6.36% to 4.12% for Peace Officer/Firefighter<br>Graded by age and service, from 9.60% to 3.62% for all others |
| TRS    | 8%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%    | 3.12%          | Graded by service, from 6.11% to 3.62%  |
| JRS    | 8%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 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 mortality (pre termination) – Peace officer/firefighter: Based upon the 2005–2009 actual mortality experience study. 1994 Group Annuity Mortality (GAM) Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. Others: Based upon the 2005–2009 actual mortality experience. 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females. Deaths are assumed to be occupational 75% of the time for peace officer/firefighter, 55% of the time for others. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an actual deaths to expected deaths ratio of 109%. Mortality (post-termination) – 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a one-year set-forward for females. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an actual deaths to expected deaths ratio of 109%.

TRS mortality rates were based on the 1994 Group Annuity Mortality (GAM) Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, adjusted 55% for females and 45% for males for pre-termination mortality and the 1994 GAM Sex-distinct Table 1994 Base Year without margin projected to 2013 using Projection Scale AA, with a 3-year setback for females and a 4-year setback for males for post-termination mortality. The actuarial assumption used in the June 30, 2013 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, 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% of the male rates and 97% 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% of the male rates and 60% of the female rates of the post-termination mortality rates. The actuarial assumptions used in the June 30, 2014 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.

NGNMRS post-termination mortality rates were based on 96% 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% of the male and 65% of female rates of the post-termination mortality rates. The actuarial assumptions used in the June 30, 2014 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.

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 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 weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' current and expected asset allocation is summarized in the following table (note that the rates shown exclude the inflation component):

| System   | Asset Class             | Long-term Expected<br>Real Rate of Return |
|----------|-------------------------|---|
| PERS/TRS | Equities:               |   |
|          | Broad domestic equity   | 5.40%                                     |
|          | Large cap               | 5.25%                                     |
|          | Small/mid cap           | 5.60%                                     |
|          | International equity    | 5.25%                                     |
|          | Emerging markets equity | 5.65%                                     |
|          | Global ex-U.S. equity   | 5.55%                                     |
|          | Fixed Income:           |   |
|          | Domestic fixed          | 0.75%                                     |
|          | TIPS                    | 0.75%                                     |
|          | Other                   |   |
|          | Real estate             | 3.95%                                     |
|          | Private equity          | 6.40%                                     |
|          | Hedge funds             | 2.85%                                     |
|          | Cash equivalents        | -0.25%                                    |
| JRS      | Domestic equity         | 6.77%                                     |
|          | International equity    | 7.50%                                     |
|          | Private equity          | 10.86%                                    |
|          | Fixed income            | 2.05%                                     |
|          | Real estate             | 3.63%                                     |
|          | Absolute return         | 4.80%                                     |
| NGNMRS   | Equities                |   |
|          | Broad domestic equity   | 7.65%                                     |
|          | Large cap               | 7.50%                                     |
|          | Small/mid cap           | 7.85%                                     |
|          | International equity    | 7.50%                                     |
|          | Emerging markets equity | 7.90%                                     |
|          | Global ex-U.S. equity   | 7.80%                                     |
|          | Fixed Income            |   |
|          | Domestic Fixed          | 3.00%                                     |
|          | TIPS                    | 3.00%                                     |
|          | Other                   |   |
|          | Real estate             | 6.20%                                     |
|          | Private equity          | 8.65%                                     |
|          | Hedge funds             | 5.10%                                     |
|          | Cash equivalents        | 2.00%                                     |

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% for NGNMRS. The projection of cash flows used to determine the discount rate assumed that the employer and the nonemployer contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the 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 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 (in thousands):

|  | 1% Decrease<br>7% | Discount Rate<br>8% | 1% Increase<br>9% |
|--|-------------------|---------------------|-------------------|
| Primary Government's proportionate share of the PERS net pension liability | \$ 3,194,168      | \$ 2,436,220        | \$ 1,797,698      |
| Component Units' proportionate share of the PERS net pension liability     | 271,532           | 207,090             | 152,820           |
| Primary Government's proportionate share of the TRS net pension liability  | 29,838            | 23,739              | 18,535            |
| Component Units' proportionate share of the TRS net pension liability      | 36,637            | 29,024              | 22,758            |
| Primary Government's JRS net pension liability                             | 77,164            | 54,883              | 36,111            |
|  | 1% Decrease<br>6% | Discount Rate<br>7% | 1% Increase<br>8% |
| Primary Government's NGNMRS net pension liability/(asset)                  | \$ 1,368          | \$ (752)            | \$ (2,666)        |

The State's proportion of the net pension liability was based on projections of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At June 30, 2014 the proportionate share of the net pension liability attributed to the State was 56.67 percent (52.23 percent for the primary government and 4.44 percent for the component units) for the Public Employee's Retirement System (PERS) and 1.76 percent (0.79 for the primary government and 0.97 for the component units) for the Teacher's Retirement System (TRS). This was an increase of 0.65 percent (0.64 percent for the primary government and 0.01 percent for the component units) for PERS and a decrease of 0.04 percent (0.01 percent increase for the primary government and 0.05 percent decrease for the component units) for TRS from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the State recognized pension expense of \$213,581 thousand (\$197,369 for the primary government and \$16,212 for component units) broken out by plan as follows (in thousands):

| <u>Systems</u>  | <u>Pension Expense</u> |
|---|------------------------|
| Public Employees' Retirement System – Primary Government                              | \$ 189,573             |
| Public Employees' Retirement System – Component Units                                 | 15,002                 |
| Teachers' Retirement System – Primary Government                                      | 1,725                  |
| Teachers' Retirement System – Component Units   | 1,210                  |
| Judicial Retirement System – Primary Government                                       | 5,383                  |
| Alaska National Guard and Alaska Naval Militia Retirement System – Primary Government | 688                    |

At June 30, 2015, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------|---|--------------------------------------|-------------------------------------|
| <b>PERS</b>        |   |                                      |                                     |
| Primary Government | Difference between Projected Investment Earnings  | \$ -                                 | \$ (281,495)                        |
|                    | Changes in Proportion and Difference Between      |                                      |                                     |
|                    | Employer Contributions and Proportionate Share of |                                      |                                     |
|                    | Contributions                                     | 19,215                               | -                                   |
|                    | Contributions Subsequent to the Measurement Date  | 636,865                              | -                                   |
| Component Units    | Difference between Projected Investment Earnings  | -                                    | (23,910)                            |
|                    | Changes in Proportion and Difference Between      |                                      |                                     |
|                    | Employer Contributions and Proportionate Share of |                                      |                                     |
|                    | Contributions                                     | 1,208                                | (1,007)                             |
|                    | Contributions Subsequent to the Measurement Date  | 18,561                               | -                                   |
| <b>TRS</b>         |   |                                      |                                     |
| Primary Government | Difference between Projected Investment Earnings  | -                                    | (2,119)                             |
|                    | Changes in Proportion and Difference Between      |                                      |                                     |
|                    | Employer Contributions and Proportionate Share of |                                      |                                     |
|                    | Contributions                                     | 155                                  | -                                   |
|                    | Contributions Subsequent to the Measurement Date  | 12,500                               | -                                   |
| Component Units    | Difference between Projected Investment Earnings  | -                                    | (2,591)                             |
|                    | Changes in Proportion and Difference Between      |                                      |                                     |
|                    | Employer Contributions and Proportionate Share of |                                      |                                     |
|                    | Contributions                                     | -                                    | (980)                               |
|                    | Contributions Subsequent to the Measurement Date  | 2,314                                | -                                   |
| <b>JRS</b>         |   |                                      |                                     |
| Primary Government | Difference between Projected Investment Earnings  | -                                    | (9,771)                             |
|                    | Difference Between Expected and Actual Experience | -                                    | (7,482)                             |
|                    | Changes in Assumptions                            | 2,813                                | -                                   |
|                    | Contributions Subsequent to the Measurement Date  | 10,222                               | -                                   |
| <b>NGNMRS</b>      |   |                                      |                                     |
| Primary Government | Difference between Projected Investment Earnings  | -                                    | (1,729)                             |
|                    | Difference Between Expected and Actual Experience | 1,037                                | -                                   |
|                    | Changes in Assumptions                            | 118                                  | -                                   |
|                    | Contributions Subsequent to the Measurement Date  | 627                                  | -                                   |
|                    |   | <u>\$ 705,635</u>                    | <u>\$ (331,084)</u>                 |

\$681,089 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 2016 (\$660,214 thousand for the primary government and \$20,875 thousand for 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 -<br>Primary<br>Government | PERS -<br>Component<br>Units | TRS -<br>Primary<br>Government | TRS -<br>Component<br>Units | JRS -<br>Primary<br>Government | NGNMRS -<br>Primary<br>Government |
|---------------------|---------------------------------|------------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------------|
| 2016                | \$ (55,593)                     | \$ (5,823)                   | \$ (410)                       | \$ (1,401)                  | \$ (4,777)                     | \$ (164)                          |
| 2017                | (65,939)                        | (5,931)                      | (494)                          | (874)                       | (4,777)                        | (164)                             |
| 2018                | (70,374)                        | (5,977)                      | (530)                          | (648)                       | (2,443)                        | (164)                             |
| 2019                | (70,374)                        | (5,978)                      | (530)                          | (648)                       | (2,443)                        | (163)                             |
| 2020                | -                               | -                            | -                              | -                           | -                              | 81                                |

#### 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 listed above. The proportionate share of the net pension liability attributed to the special funding situation was based on a projection of these types of contributions to the pension plan relative to the projected contributions of all participating employers.

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<br>7% | Discount Rate<br>8% | 1% Increase<br>9% |
|----------------------------|-------------------|---------------------|-------------------|
| PERS net pension liability | \$ 1,336,866      | \$ 1,019,583        | \$ 752,397        |
| TRS net pension liability  | 3,176,443         | 2,522,174           | 1,973,124         |

At June 30, 2014 the proportionate share of the net pension liability attributed to the State for the special funding situation was 21.86 percent for the Public Employee's Retirement System (PERS) and 84.10 percent for the Teacher's Retirement System (TRS), which was a decrease of 1.01 percent and an increase of 0.69 percent from its proportion measured as of June 30, 2013 for PERS and TRS respectively.

For the year ended June 30, 2015, the State recognized expenses of \$230,483 thousand in relation to the special funding situation broken out by plan as follows (in thousands):

| <u>Systems</u>                      | <u>Expenses</u> |
|-------------------------------------|-----------------|
| Public Employees' Retirement System | \$ 49,938       |
| Teachers' Retirement System         | 180,545         |

At June 30, 2015, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------|--|--------------------------------------|-------------------------------------|
| System |  |                                      |                                     |
| PERS   | Difference between Projected Investment Earnings   | \$ -                                 | \$ (117,783)                        |
|        | Changes in Proportion and Difference Between<br>Employer Contributions and Proportionate Share of<br>Contributions | -                                    | (30,159)                            |
|        | Contributions Subsequent to the Measurement Date   | 155,979                              | -                                   |
| TRS    | Difference between Projected Investment Earnings   | -                                    | (225,168)                           |
|        | Changes in Proportion and Difference Between<br>Employer Contributions and Proportionate Share of<br>Contributions | 12,944                               | -                                   |
|        | Contributions Subsequent to the Measurement Date   | 315,279                              | -                                   |
|        |  | <u>\$ 484,202</u>                    | <u>\$ (373,110)</u>                 |

\$471,258 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 2016. 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>  |
|----------------------------|-------------|-------------|
| 2016                       | \$ (52,645) | \$ (46,335) |
| 2017                       | (36,405)    | (53,305)    |
| 2018                       | (29,446)    | (56,292)    |
| 2019                       | (29,446)    | (56,292)    |

SINGLE EMPLOYER PLANS

The schedules of changes in plan net pension liability and related ratios for the JRS and NGNMRS defined benefit pension plan as of the measurement date, June 30, 2014 are below (in thousands):

|   | JRS       | NGNMRS   |
|---|-----------|----------|
| Total pension liability:                                    |           | \$       |
| Service cost  | \$ 5,186  | 632      |
| Interest  | 15,320    | 2,363    |
| Differences between expected and actual experience          | (3,741)   | 241      |
| Changes in assumptions                                      | 1,407     | 27       |
| Benefit payments, including refunds of member contributions | (10,578)  | (1,611)  |
| Net Change in total pension liability                       | 7,594     | 1,652    |
| Total pension liability - beginning                         | 77,071    | 35,063   |
| Total pension liability - ending (a)                        | 84,665    | 36,715   |
| Plan fiduciary net position:                                |           |          |
| Contributions   | 9,642     | 740      |
| Total net investment income                                 | 21,845    | 4,528    |
| Benefit payments, including refunds or member contributions | (10,578)  | (1,611)  |
| Administrative expenses                                     | (66)      | (223)    |
| Net change in plan fiduciary net position                   | 20,843    | 3,434    |
| Plan fiduciary net position - beginning                     | 118,705   | 34,033   |
| Plan fiduciary net position - ending (b)                    | 139,548   | 37,467   |
| Plan's net pension liability/(asset) (a) - (b)              | \$ 54,883 | \$ (752) |

**C. 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, 2015, the following were the General Obligation Bond debt outstanding (in millions):

| Year Ending June 30             | Principal | Interest | Total    |
|---------------------------------|-----------|----------|----------|
| 2016                            | \$ 38.4   | \$ 27.3  | \$ 65.7  |
| 2017                            | 40.9      | 26.6     | 67.5     |
| 2018                            | 42.7      | 24.7     | 67.4     |
| 2019                            | 44.4      | 22.8     | 67.2     |
| 2020                            | 35.0      | 21.0     | 56.0     |
| 2021-2025                       | 149.2     | 124.5    | 273.7    |
| 2026-2030                       | 148.9     | 100.0    | 248.9    |
| 2031-2035                       | 87.0      | 12.5     | 99.5     |
| 2036-2040                       | 12.1      | 1.2      | 13.3     |
| Total debt service requirements | 598.6     | \$ 360.6 | \$ 959.2 |
| Unamortized bond premium        | 58.0      |          |          |
| Total principal outstanding     | \$ 656.6  |          |          |

The General Obligation Bond Series 2009A Bonds were issued for the purpose of paying \$165 million of the costs of State transportation projects. The Series 2010 A and B Bonds were issued for the purpose of paying \$164.57 million of the costs of State education projects. The Series 2012A Bonds were issued for the purpose of refunding \$191.41 million on the 2003A Series Bonds. The Series 2013 A and B Bonds were issued for the purpose of paying \$162.48 million of the costs of State education projects. The Series 2015B Bonds were issued for the purpose of refunding \$100.62 million on the 2009A Series Bonds.

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

At June 30, 2015, the amount of General Obligation Bonds authorized was \$1,012.1 million with \$682.7 million issued. Of the amount issued, \$155.2 million is short-term Bond Anticipation Notes. General Obligation Bonds authorized but not issued at June 30, 2015 was \$329.4 million.

#### REVENUE BONDS

As of June 30, 2015, the following were the revenue bonds outstanding (in millions):

| Year Ending June 30                   | Governmental Activities |          | Business-Type Activities |          |
|---------------------------------------|-------------------------|----------|--------------------------|----------|
|                                       | Principal               | Interest | Principal                | Interest |
| 2016                                  | \$ 13.0                 | \$ 18.0  | \$ 16.7                  | \$ 23.6  |
| 2017                                  | 12.0                    | 17.5     | 18.7                     | 22.8     |
| 2018                                  | 7.2                     | 16.9     | 25.0                     | 21.8     |
| 2019                                  | 8.0                     | 16.6     | 26.4                     | 20.4     |
| 2020                                  | 22.4                    | 18.9     | 27.6                     | 19.0     |
| 2021-2025                             | 33.2                    | 72.1     | 162.3                    | 72.9     |
| 2026-2030                             | 38.5                    | 63.9     | 162.1                    | 27.8     |
| 2031-2035                             | 51.6                    | 52.9     | 41.5                     | 7.0      |
| 2036-2040                             | 67.0                    | 38.7     | 6.9                      | 0.2      |
| 2041-2045                             | 91.4                    | 19.7     | -                        | -        |
| 2046-2050                             | 33.6                    | 69.3     | -                        | -        |
| Total debt service requirements       | 377.9                   | \$ 404.5 | 487.2                    | \$ 215.5 |
| Unamortized bond (discounts)/premiums | (4.7)                   |          | 9.8                      |          |
| Plus accreted value                   | 8.7                     |          | -                        |          |
| Total principal outstanding           | \$ 381.9                |          | \$ 497.0                 |          |

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 bonds indentures. Neither Alaska Housing Finance Corporation nor the State of Alaska is liable for any debt issued by NTSC. NTSC revenue bond total at June 30, 2015 includes \$346.6 million in principal, \$394.9 million in interest, \$6.6 million in unamortized discount, and \$8.7 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 \$31.3 million in principal, \$9.6 million in interest, and \$1.9 million in unamortized premium.

### International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund. Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports Revenue Bonds. There are \$23.2 million of bonds authorized by the Alaska Legislature that have not been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Position. No International Airports Revenue Bonds were refunded during FY 15. At June 30, 2015 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 \$487.3 million in principal, \$215.5 million in interest and \$9.9 million in unamortized premiums/discounts and deferred gains/losses.

## D. CAPITAL AND OPERATING LEASES

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

| Governmental Activities<br>Year Ending June 30 | Operating<br>Leases | Capital Leases  |                 |                 |
|--|---------------------|-----------------|-----------------|-----------------|
|  |                     | Principal       | Interest        | Total           |
| 2016   | \$ 40.2             | \$ 28.3         | \$ 14.9         | \$ 43.2         |
| 2017   | 29.7                | 24.0            | 14.4            | 38.4            |
| 2018   | 24.9                | 20.9            | 13.2            | 34.1            |
| 2019   | 19.5                | 21.8            | 12.3            | 34.1            |
| 2020   | 21.9                | 21.7            | 11.2            | 32.9            |
| 2021-2025                                      | 11.7                | 80.9            | 42.1            | 123.0           |
| 2026-2030                                      | 2.8                 | 75.6            | 21.6            | 97.2            |
| 2031-2035                                      | 1.4                 | 49.1            | 3.7             | 52.8            |
| 2036-2040                                      | 0.2                 | -               | -               | -               |
| 2041-2045                                      | 0.2                 | -               | -               | -               |
| 2046-2050                                      | 0.2                 | -               | -               | -               |
| 2051-2055                                      | 0.2                 | -               | -               | -               |
| 2056-2060                                      | 0.2                 | -               | -               | -               |
| 2061-2065                                      | 2.0                 | -               | -               | -               |
| Total  | <u>\$ 155.1</u>     | <u>\$ 322.3</u> | <u>\$ 133.4</u> | <u>\$ 455.7</u> |

Leases at June 30, 2015 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, 2015 include the following (in thousands):

|                                | Governmental<br>Activities | Business-Type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| Buildings                      | \$ 463,060                 | \$ -                        |
| Equipment                      | 10,838                     | -                           |
| Less: Accumulated Depreciation | (96,428)                   | -                           |
|                                | <u>\$ 377,470</u>          | <u>\$ -</u>                 |

#### E. 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, 2015 (in millions):

| <u>Governmental Activities</u> | <u>Certificates of Participation</u> |                 |                |
|--------------------------------|--------------------------------------|-----------------|----------------|
| <u>Year Ending June 30</u>     | <u>Principal</u>                     | <u>Interest</u> | <u>Total</u>   |
| 2016                           | \$ 3.3                               | \$ 1.4          | \$ 4.7         |
| 2017                           | 1.7                                  | 1.3             | 3.0            |
| 2018                           | 1.7                                  | 1.2             | 2.9            |
| 2019                           | 1.8                                  | 1.1             | 2.9            |
| 2020                           | 1.8                                  | 1.1             | 2.9            |
| 2021-2025                      | 10.3                                 | 4.1             | 14.4           |
| 2026-2030                      | 10.2                                 | 1.3             | 11.5           |
| Total                          | <u>\$ 30.8</u>                       | <u>\$ 11.5</u>  | <u>\$ 42.3</u> |

**F. DISCRETELY PRESENTED COMPONENT UNITS**

Debt service requirements are (in millions):

| Year Ending June 30                  | Principal  | Interest   | Total      |
|--------------------------------------|------------|------------|------------|
| 2016                                 | \$ 193.2   | \$ 144.8   | \$ 338.0   |
| 2017                                 | 203.5      | 138.3      | 341.8      |
| 2018                                 | 202.5      | 131.0      | 333.5      |
| 2019                                 | 188.1      | 123.5      | 311.6      |
| 2020                                 | 193.4      | 116.5      | 309.9      |
| 2021-2025                            | 841.5      | 460.3      | 1,301.8    |
| 2026-2030                            | 890.4      | 285.8      | 1,176.2    |
| 2031-2035                            | 515.9      | 144.2      | 660.1      |
| 2036-2040                            | 357.3      | 59.2       | 416.5      |
| 2041-2045                            | 141.1      | 11.7       | 152.8      |
| 2046-2050                            | 13.9       | 1.3        | 15.2       |
| Total debt service requirements      | 3,740.8    | \$ 1,616.6 | \$ 5,357.4 |
| Unamortized (discounts)/premiums     | 89.0       |            |            |
| Unamortized swap termination penalty | (11.6)     |            |            |
| Deferred amount on refunding         | (1.3)      |            |            |
| Total principal outstanding          | \$ 3,816.9 |            |            |

The preceding table does not include \$776 thousand of Alaska Energy Authority arbitrage interest payable.

**G. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES**

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

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

The fair value amounts, obtained from mark to market statements from the respective counterparties and reconciled to present value calculations done by AHFC, represent mid-market valuations that approximate the current economic value using market averages, reference rates, and/or mathematical models. Actual trade prices may vary significantly from these estimates as a result of various factors, which may include (but are not limited to) portfolio composition, current trading intentions, prevailing credit spreads, market liquidity, hedging costs and risk, position size, transaction and financing costs, and use of capital profit. The fair value represents the current price to settle swap asset or liabilities in the marketplace if a swap were to be terminated.

AHFC's interest rate swaps require that if the ratings on the associated bonds fall to BBB+/Baa1, AHFC would have to post collateral of up to 100 percent of the swaps' fair value. As of June 30, 2015, AHFC has not posted any collateral and is not required to post any collateral.

HEDGING DERIVATIVES

The significant terms and credit ratings of AHFC's hedging derivatives as of June 30, 2015, are shown below:

| Related<br>Bond<br>Issue | Effective<br>Dates | Fixed<br>Rate<br>Paid | Variable Rate<br>Received    | SWAP<br>Termination<br>Date | Counterparty<br>Credit Rating <sup>7</sup> |
|--------------------------|--------------------|-----------------------|------------------------------|-----------------------------|--|
| GP01A <sup>1</sup>       | 12/1/2008          | 2.4530%               | 67% of 1M LIBOR <sup>4</sup> | 12/1/2030                   | A/A2                                       |
| GP01B                    | 8/2/2001           | 4.1427%               | 67% of 1M LIBOR              | 12/1/2030                   | A+/Aa3                                     |
| E021A1 <sup>2</sup>      | 10/9/2008          | 2.9800%               | 70% of 3M LIBOR <sup>5</sup> | 6/1/2032                    | AAA/Aa2                                    |
| E021A2                   | 10/9/2008          | 3.4480%               | 70% of 1M LIBOR              | 12/1/2036                   | A+/Aa3                                     |
| SC02C <sup>3</sup>       | 12/5/2002          | 4.3030%               | SIFMA <sup>6</sup> +0.115%   | 7/1/2022                    | A+/Aa3                                     |
| E071AB                   | 5/31/2007          | 3.7345%               | 70% of 3M LIBOR              | 12/1/2041                   | AAA/Aa2                                    |
| E071BD                   | 5/31/2007          | 3.7200%               | 70% of 3M LIBOR              | 12/1/2041                   | A+/Aa3                                     |
| E091A                    | 5/28/2009          | 3.7610%               | 70% of 3M LIBOR              | 12/1/2040                   | A/A2                                       |
| E091B                    | 5/28/2009          | 3.7610%               | 70% of 3M LIBOR              | 12/1/2040                   | AAA/Aa2                                    |
| E091ABD                  | 5/28/2009          | 3.7400%               | 70% of 3M LIBOR              | 12/1/2040                   | A+/Aa3                                     |

<sup>1</sup> Governmental Purpose Bonds

<sup>2</sup> Home Mortgage Revenue Bonds

<sup>3</sup> State Capital Project Bonds

<sup>4</sup> London Interbank Offered Rate 1 month

<sup>5</sup> London Interbank Offered Rate 3 month

<sup>6</sup> Securities Industry and Financial Markets Municipal Swap Index

<sup>7</sup> Standard & Poor's/Moody's

The change in fair value and ending balance of AHFC's hedging derivatives as of June 30, 2015, is shown below (in thousands). The fair value is reported as a deferred outflow/inflow of resources in the Statement of Net Position.

| Related<br>Bond<br>Issue | Notional<br>Amounts | Present<br>Values | Fair Values<br>June 30,<br>2015 | Fair Values<br>June 30,<br>2014 | Change in<br>Fair<br>Values |
|--------------------------|---------------------|-------------------|---------------------------------|---------------------------------|-----------------------------|
| GP01A                    | \$ 51,115           | \$ 54,847         | \$ (3,732)                      | \$ (3,353)                      | \$ (379)                    |
| GP01B                    | 62,460              | 75,270            | (12,810)                        | (13,103)                        | 293                         |
| E021A1                   | 40,520              | 45,021            | (4,501)                         | (4,195)                         | (306)                       |
| E021A2                   | 46,675              | 49,183            | (2,508)                         | (4,091)                         | 1,583                       |
| SC02C                    | 45,700              | 50,785            | (5,085)                         | (5,981)                         | 896                         |
| E071AB                   | 143,622             | 178,644           | (35,022)                        | (31,412)                        | (3,610)                     |
| E071BD                   | 95,748              | 118,787           | (23,039)                        | (20,577)                        | (2,462)                     |
| E091A                    | 72,789              | 91,267            | (18,478)                        | (16,520)                        | (1,958)                     |
| E091B                    | 72,789              | 91,181            | (18,392)                        | (16,461)                        | (1,931)                     |
| E091ABD                  | 97,052              | 121,167           | (24,115)                        | (21,483)                        | (2,632)                     |
| Total                    | <u>\$ 728,470</u>   | <u>\$ 876,152</u> | <u>\$(147,682)</u>              | <u>\$(137,176)</u>              | <u>\$ (10,506)</u>          |

As of June 30, 2015, 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<br>Variable-Rate<br>Debt<br>Principal | Outstanding<br>Variable-Rate<br>Debt<br>Interest | Swap<br>Net Payment | Total<br>Payment    |
|---------------------|---|--|---------------------|---------------------|
|                     |   |  |                     |                     |
| 2016                | \$ 13,155   | \$ 624   | \$ 25,216           | \$ 38,995           |
| 2017                | 16,146  | 614  | 24,744              | 41,504              |
| 2018                | 19,399  | 600  | 24,121              | 44,120              |
| 2019                | 20,280  | 584  | 23,424              | 44,288              |
| 2020                | 24,500  | 567  | 22,697              | 47,764              |
| 2021-2025           | 142,530   | 2,499  | 98,541              | 243,570             |
| 2026-2030           | 158,861   | 1,898  | 73,778              | 234,537             |
| 2031-2035           | 144,716   | 1,224  | 47,173              | 193,113             |
| 2036-2040           | 155,608   | 554  | 21,150              | 177,312             |
| 2041-2043           | 33,275  | 32   | 1,021               | 34,328              |
|                     | <u>\$ 728,470</u>                                 | <u>\$ 9,196</u>                                  | <u>\$ 361,865</u>   | <u>\$ 1,099,531</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, 2015, 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 35.3 percent of the total notional amount of the swaps is held with one counterparty rated AAA/Aa2. Another 32.7 percent of the total notional amount of the swaps is held with another counterparty rated A+/Aa3. Of the remaining swaps, another counterparty is also rated A+/Aa3, another counterparty is rated A/A2, and the remaining counterparty is also rated A/A2, approximating 15.0 percent, 10.0 percent, and 7.0 percent respectively, of the total notional amount of the swaps.

#### Basis Risk

All of AHFC's variable-rate bond interest payments are based on the tax exempt SIFMA index. Therefore, AHFC is exposed to basis risk on swaps where the variable payment received on the swaps is based on a taxable LIBOR index and does not fully offset the variable rate paid on the bonds, which is based on the SIFMA index. The SC02C swap is based on the SIFMA index and thus is not exposed to any basis risk. As of June 30, 2015, SIFMA was 0.07 percent and 1 month LIBOR was 0.1865 percent, resulting in a SIFMA/LIBOR ratio of 37.5 percent. The 3 month LIBOR was 0.2832 percent resulting in a SIFMA/LIBOR ratio of 24.75 percent. The SIFMA/LIBOR ratios have fluctuated since the agreements became effective but the anticipated cost savings from the swaps increases as the ratios decrease.

#### Termination Risk

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

value at termination, AHFC would be liable to the counterparty for payments equal to the swaps' fair value. AHFC or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the agreement, including downgrades and events of default.

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

### **Rollover Risk**

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

### **INVESTMENT DERIVATIVES**

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

The significant terms and credit ratings of AHFC's investment derivatives as of June 30, 2015, are shown below:

| Related<br>Bond<br>Issue | Effective<br>Dates | Fixed<br>Rate<br>Paid | Variable Rate<br>Received | SWAP<br>Termination<br>Date | Counterparty<br>Credit Rating |
|--------------------------|--------------------|-----------------------|---------------------------|-----------------------------|-------------------------------|
| SC02B                    | 12/5/2002          | 3.77%                 | 70% of 1M LIBOR           | 7/1/2024                    | A+/Aa3                        |

The change in fair value of the investment derivatives as of June 30, 2015, is shown below (in thousands) and is presented as a part of Interest and Investment Income in the Statement of Activities.

| Related<br>Bond<br>Issue | Notional<br>Amounts | Present<br>Values | Fair Values<br>June 30,<br>2015 | Fair Values<br>June 30,<br>2014 | Change in<br>Fair<br>Values |
|--------------------------|---------------------|-------------------|---------------------------------|---------------------------------|-----------------------------|
| SC02B                    | \$ 14,555           | \$ 17,072         | \$ (2,517)                      | \$ (2,528)                      | \$ 11                       |

### **Credit Risk**

As of June 30, 2015, AHFC was not exposed to credit risk on this outstanding swap because the swap had a negative fair value. If interest rates rise and the fair value of the swap becomes positive, AHFC would be exposed to credit risk in the amount of the swaps' fair value. The swap agreement requires the counterparty to fully collateralize the fair value amount of the swap should the counterparty's rating fall to BBB+/Baa1. The counterparty on this swap is rated A+/Aa3.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

**STATE ADMINISTERED PLANS**

**DESCRIPTION OF PLANS**

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

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

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

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

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

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

At June 30, 2015 the number of PERS participating employers was:

|                  |            |
|------------------|------------|
| State of Alaska  | 4          |
| Municipalities   | 76         |
| School Districts | 53         |
| Other            | 24         |
| Total Employers  | <u>157</u> |

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

The PERS-DB funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay both pension and postemployment

healthcare benefits when due. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year. The employer rate for the State of Alaska for the year ended June 30, 2015 was capped at 22 percent of compensation.

The state's contributions to PERS-DB for the fiscal years ended June 30, 2015, 2014, and 2013 were \$237.5, \$248.2, and \$244.9 million respectively for the year. For the FY 15 contributions, \$135.2 million was for pensions and \$102.4 million was for postemployment benefits. The contributions were equal to the required contributions in FY 15.

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

Chapter 18 SLA 2014 appropriated \$1.0 billion from the Constitutional Budget Reserve Fund to the PERS-DB as an additional state contribution for FY 15. The portion of this payment attributable to State of Alaska employers is \$587.4 million; all for pensions.

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age 60 or older, regardless of initial hire dates. Employees first hired on or after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) may pay the full monthly premium if they are under age 60, and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Police and fire employees with 25 years of membership and all other employees with 30 years of membership service also receive benefits at no premium cost.

The components of the net pension liability of the participating employers at June 30, 2015, were as follows (in thousands):

|  |                     |
|--|---------------------|
| Total Pension Liability  | \$ 13,456,876       |
| Plan Fiduciary Net Position  | <u>(8,606,862)</u>  |
| Employers' Net Pension Liability (Asset)                                   | <u>\$ 4,850,014</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 63.96%              |

#### 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 24<sup>th</sup> Alaska State Legislature enacted into law Senate Bill 141, which closed the TRS-DB to new members effective July 1, 2006 and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DCR). Information regarding TRS-DCR is disclosed in Note 8.

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

The TRS-DB Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. TRS includes the TRS-DB and the ARHCT Fund. Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of TRS.



TRS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the RHF.

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

At June 30, 2015 the number of participating employers was:

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

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

The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2015 was 12.56 percent of compensation. Employer contributions are accumulated in both the pension and healthcare funds based on the approved contribution rate for the fiscal year.

The state's contributions to TRS-DB for the fiscal years ended June 30, 2015, 2014, and 2013 were \$4.6, \$5.1, and \$5.3 million respectively, equal to the required contributions for each year. For the FY 15 contributions, \$2.6 million was for pensions and \$2.0 million was for postemployment benefits. The contributions were equal to the required contributions in FY 15.

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

Chapter 18 SLA 2014 appropriated \$2.0 billion from the Constitutional Budget Reserve Fund to the TRS-DB as an additional state contribution for FY 15. The portion of this payment attributable to State of Alaska employers is \$110.7 million, of which \$92.0 million is for pensions and \$18.7 million is for postemployment benefits.

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

The components of the net pension liability of the participating employers at June 30, 2015, were as follows (in thousands):

|  |                     |
|--|---------------------|
| Total Pension Liability  | \$ 7,107,406        |
| Plan Fiduciary Net Position  | <u>(5,246,955)</u>  |
| Employers' Net Pension Liability (Asset)                                   | <u>\$ 1,860,451</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.82%              |

### The Judicial Retirement System (JRS)

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

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

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

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

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

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

The JRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. The employer rate for the State of Alaska for the year ended June 30, 2015, was 82.48 percent of compensation. Total contributions for FY 15 were \$9,915 thousand for pensions, and \$677 thousand for postemployment benefits. Included in the total contributions amounts is \$5.2 million appropriated in Chapter 16 SLA 2014 from the General Fund to JRS as an additional state contribution for the purpose of funding the retirement system.

Postemployment healthcare benefits are provided without cost to retired JRS members. The funding progress for postemployment healthcare benefits follows (in thousands):

| Actuarial<br>Valuation<br>Year Ended<br>June 30 | Actuarial<br>Value of<br>Plan Assets | Actuarial<br>Accrued<br>Liabilities (AAL) | Funding Excess<br>(FE)/(Unfunded<br>Actuarial Accrued<br>Liabilities) (UAAL) | Funded<br>Ratio | Covered<br>Payroll | FE/(UAAL)<br>as a<br>Percentage of<br>Covered<br>Payroll |
|---|--------------------------------------|---|--|-----------------|--------------------|--|
| 2014  | \$24,074                             | \$18,642                                  | \$(5,432)  | 129.1%          | \$13,373           | (40.6%)  |

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 actuarial valuation dated June 30, 2012 set the contribution rates for the year ended June 30, 2015. The State of Alaska's other postemployment benefit (OPEB) obligations for FY 15 follows (in thousands):

|  | <u>OPEB</u>            |
|--|------------------------|
| Annual Required Contribution                     | \$ 313                 |
| Interest on Net Pension Asset                    | (31)                   |
| Adjustment to Annual Required Contribution       | <u>28</u>              |
| Annual Pension Cost (APC)/OPEB Cost (AOC)        | 310                    |
| Contributions Made                               | <u>(678)</u>           |
| Increase in Obligation                           | (368)                  |
| Net Pension Obligation/(Asset) Beginning of Year | <u>(392)</u>           |
| Net Pension Obligation/(Asset) End of the Year   | <u><u>\$ (760)</u></u> |

Three year trend information for this obligation follows (in thousands):

| OPEB | Year Ended June 30 | AOC      | Percentage<br>of AOC<br>Contributed | Net OPEB<br>Obligation<br>/(Asset) |
|------|--------------------|----------|-------------------------------------|------------------------------------|
|      | 2013               | \$ 1,073 | 108.9%                              | \$ (421)                           |
|      | 2014               | 1,090    | 97.3%                               | (392)                              |
|      | 2015               | 310      | 218.9%                              | (760)                              |

The components of the net pension liability at June 30, 2015, were as follows (in thousands):

|   |                         |
|---|-------------------------|
| Total Pension Liability   | \$ 205,125              |
| Plan Fiduciary Net Position   | <u>(144,160)</u>        |
| Employer's Net Pension<br>Liability (Asset)                                   | <u><u>\$ 60,965</u></u> |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability | 70.28%                  |

#### **The Alaska National Guard and Alaska Naval Militia Retirement System (NGNMRS)**

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

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

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

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

The components of the net pension liability at June 30, 2015, were as follows (in thousands):

|  |                 |
|--|-----------------|
| Total Pension Liability  | \$ 38,309       |
| Plan Fiduciary Net Position  | <u>(36,880)</u> |
| Employer's Net Pension Liability (Asset)                                   | <u>\$ 1,429</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 96.27%          |

#### 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                              | \$15,598,688      |
| Teachers' Retirement System                                      | 7,848,576         |
| Judicial Retirement System                                       | 171,060           |
| Alaska National Guard and Alaska Naval Militia Retirement System | 36,969            |

#### 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><br><u>6/30/15</u> | <u>TRS</u><br><u>6/30/15</u> | <u>JRS</u><br><u>6/30/15</u> | <u>NGNMRS</u><br><u>6/30/14</u> |
|---|-------------------------------|------------------------------|------------------------------|---------------------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 32,045                        | 12,080                       | 108                          | 639                             |
| Inactive plan members entitled to but not yet receiving benefits    | 18,181                        | 3,156                        | 4                            | 1,756                           |
| Current active employees  | 17,988                        | 5,606                        | 76                           | 4,139                           |
| Total   | <u>68,214</u>                 | <u>20,842</u>                | <u>188</u>                   | <u>6,534</u>                    |

#### **Actuarial Method and Assumptions**

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

The following main assumptions were used in the actuarial valuation.

| System                | Investment<br>Rate of<br>Return      | Actuarial Cost<br>Method  | Amortization<br>Method             | Equivalent Single<br>Amorization Period                           | Salary Scale Increase   | Valuation<br>Date |
|-----------------------|--------------------------------------|---|------------------------------------|---|---|-------------------|
| PERS                  | 8% Includes<br>Inflation at<br>3.12% | Entry age normal;<br>level percentage<br>of pay normal<br>cost basis for<br>pension; level<br>dollar normal cost<br>basis for<br>healthcare | Level percent of<br>pay, closed    | 25 years  | Peace Officer/Firefighter:<br>Merit –2.75% per year for the<br>first 4 years of<br>employment, grading down to<br>0.5% at 7 years and thereafter.<br><br>Productivity – 0.5% per year.<br>Others:<br>Merit – 6.00% per year<br>grading down to 2.00% after 5<br>years; for more than 6 years of<br>services, 1.50% grading down<br>to 0%<br>Productivity – 0.5% per year. | 6/30/2014         |
| TRS                   | 8% Includes<br>Inflation at<br>3.12% | Entry age normal;<br>level percentage<br>of pay Normal<br>Cost Basis for<br>pension and<br>healthcare                                       | Level percentage<br>of pay, closed | 25 years  | 6.11% for first 5 years of<br>service grading down to 3.62%<br>after 20 years   | 6/30/2014         |
| JRS                   | 8% Includes<br>Inflation at<br>3.12% | Entry age normal<br>level percentage<br>of pay normal<br>cost basis for<br>pension; level<br>dollar normal cost<br>basis for<br>healthcare  | Level dollar,<br>closed            | 20 years  | 3.62%   | 6/30/2014         |
| NGNMRS                | 7% Includes<br>Inflation at<br>3.12% | Entry age normal  | Level dollar, open                 | 20 years less<br>average military<br>service of active<br>members | None  | 6/30/2014         |
| Health Care Inflation |                                      |   |                                    |   |   |                   |
|                       |                                      |   | <u>Medical Pre-65</u>              | <u>Medical Post-65</u>  | <u>Rx</u>   |                   |
| For all systems above |                                      | FY15  | 10.0%                              | 6.0%  | 6.0%  |                   |
| (excluding NGNMRS):   |                                      | FY16  | 9.4%                               | 5.9%  | 5.7%  |                   |

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 and 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 fair value of assets. PERS and TRS assets are valued at a five year fair value smoothing valuation method. JRS and NGNMRS assets are valued at a five year market value smoothing valuation method.

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

Projections of benefits for financial report purposes are based on the substantive plan and included in the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

**NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS**

**STATE ADMINISTERED PLANS**

**DESCRIPTION OF PLANS**

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

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

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

As of June 30, 2015, there were 159 employers participating in PERS-DCR. There were 17,456 active members, of which 16,011 are general employees and 1,445 are peace officers and firefighters.

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

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 15 for each member's compensation was 1.66 percent for medical coverage and 0.22 percent for death and disability (1.06 percent for peace officers and firefighters). HRA is \$163.38 per month for full time employees and \$1.26 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2015 by the employees were \$39,278 thousand and the State of Alaska employers were \$24,552 thousand. The PERS other postemployment contributions for the year ended June 30, 2015 were \$25,128 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the PERS-DCR cash and investments as of June 30, 2015 is \$861,066 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, 2015 the State of Alaska recognized \$24,552 thousand in pension expense for the PERS-DCR as an employer.

### **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 24<sup>th</sup> Alaska Legislature enacted into law Senate Bill 141, which created TRS-DCR effective July 1, 2006. TRS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

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

As of June 30, 2015, there were 58 employers participating in TRS-DCR. There were 4,076 active members.

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

On July 1, 2006, two pension trust sub-funds were created in TRS, the RMP and HRA. The TRS OD&D trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DCR participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for FY 15 for each member's compensation was 2.04 percent for medical coverage and zero percent for death and disability. HRA is \$163.38 per month for full-time employees while part-time employees are based on the contract percentage worked multiplied by the full-time employee rate.

The TRS pension contributions for the year ended June 30, 2015 by the employees were \$608 thousand and the State of Alaska employers were \$482 thousand. The TRS other postemployment contributions for the year ended June 30, 2015 were \$345 thousand.

See note 4 for information on pension funds' deposit and investment risk categories. The fair value of the TRS-DCR cash and investments as of June 30, 2015 is \$337,743 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, 2015 the State of Alaska recognized \$532 thousand in pension expense for the TRS-DCR as an employer.

### **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, 2015, there were 22 other employers participating in SBS. There were 43,755 participants in the Plan.

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

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Cafeteria Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ended June 30, 2015, were \$75,481 thousand. The State's covered payroll was \$1,231,348 thousand.

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, 2015, were \$2,645 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 death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee change in status. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The State administers the Dependent Care Assistance Program.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended June 30, 2015. Participant accounts under the Supplemental Annuity Plan are self-directed with respect to investment options. Each participant designates how contributions are allocated among the investment options. Each participant's account is credited with the contributions, the increase or decrease in unit value for the investment funds, and reduced for administrative fees.

**NOTE 9 – DEFERRED COMPENSATION PLAN**

The State of Alaska Deferred Compensation Plan was created by Alaska statutes. It is a deferred compensation plan under Section 457 of the Internal Revenue Code. It is available to all permanent and long-term non-permanent employees, and elected officials of the State (and with the March 1, 2006 amendment, members of State of Alaska boards and commissions) who have completed a pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of June 30, 2015 the Deferred Compensation Plan had approximately 11,100 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, 2015 was \$815,779 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, 2015, and interfund transfers for the year then ended (in thousands):

**INTERFUND RECEIVABLE / PAYABLE BALANCES**

| Due to Other Funds     | General Fund        | Due from Other Funds  |                             |                        |                           |                        |                  | Total               |
|------------------------|---------------------|-----------------------|-----------------------------|------------------------|---------------------------|------------------------|------------------|---------------------|
|                        |                     | Alaska Permanent Fund | Nonmajor Governmental Funds | International Airports | Nonmajor Enterprise Funds | Internal Service Funds | Fiduciary Funds  |                     |
| General Fund           | \$ -                | \$ 28,576             | \$ 47,605                   | \$ 3,758               | \$ 262                    | \$ 12,695              | \$ 31,019        | \$ 123,915          |
| Alaska Permanent Fund  | 1,397,146           | -                     | -                           | -                      | -                         | -                      | -                | 1,397,146           |
| Nonmajor               |                     |                       |                             |                        |                           |                        |                  |                     |
| Governmental Funds     | 14,803              | -                     | -                           | -                      | -                         | -                      | -                | 14,803              |
| International Airports | 42,183              | -                     | -                           | -                      | -                         | -                      | -                | 42,183              |
| Nonmajor               |                     |                       |                             |                        |                           |                        |                  |                     |
| Enterprise Funds       | 1,554               | -                     | -                           | -                      | -                         | -                      | -                | 1,554               |
| Internal Service Funds | 2,212               | -                     | -                           | -                      | -                         | -                      | -                | 2,212               |
| Fiduciary Funds        | 20,300              | -                     | -                           | -                      | -                         | -                      | 6                | 20,306              |
| Total                  | <u>\$ 1,478,198</u> | <u>\$ 28,576</u>      | <u>\$ 47,605</u>            | <u>\$ 3,758</u>        | <u>\$ 262</u>             | <u>\$ 12,695</u>       | <u>\$ 31,025</u> | <u>\$ 1,602,119</u> |

The \$1,397.1 million balance due from the Alaska Permanent Fund to the General Fund includes \$1,326.3 million for payment of 2015 Permanent Fund dividends to qualified residents of the State and \$24.0 million to be transferred to the Alaska Capital Income Fund. The balance is for administrative and associated costs of the 2015 Permanent Fund Dividend Program.

**INTERFUND TRANSFERS**

| Transfers From              | Transfers to        |                       |                             |                        |                           |                        | Total               |
|-----------------------------|---------------------|-----------------------|-----------------------------|------------------------|---------------------------|------------------------|---------------------|
|                             | General Fund        | Alaska Permanent Fund | Nonmajor Governmental Funds | International Airports | Nonmajor Enterprise Funds | Internal Service Funds |                     |
| General Fund                | \$ -                | \$ -                  | \$ 122,770                  | \$ 14,057              | \$ 133                    | \$ 23,108              | \$ 160,068          |
| Alaska Permanent Fund       | 1,397,145           | -                     | -                           | -                      | -                         | -                      | 1,397,145           |
| Nonmajor Governmental Funds | -                   | 2,881                 | 6,327                       | -                      | -                         | -                      | 9,208               |
| Nonmajor Enterprise Funds   | 3,646               | -                     | -                           | -                      | -                         | -                      | 3,646               |
| Total                       | <u>\$ 1,400,791</u> | <u>\$ 2,881</u>       | <u>\$ 129,097</u>           | <u>\$ 14,057</u>       | <u>\$ 133</u>             | <u>\$ 23,108</u>       | <u>\$ 1,570,067</u> |

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

The transfer from Alaska Permanent Fund to the General Fund includes a \$1,326.3 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program and a \$24.0 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 \$8.8 million for providing these services during FY15. On June 30, 2015 AIDEA had \$2.4 million receivable from AEA for services and short-term borrowings.

On September 30, 2010, pursuant to legislation and an agreement, AIDEA purchased 37 loans from AEA with an outstanding balance of \$24,254 thousand, plus accrued interest, for \$20,631 thousand. Under the agreement, at AIDEA's request, AEA is required to repurchase any loan upon a payment default. The current loan outstanding balance at June 30, 2015 is \$17,487 thousand.

Northern Tobacco Securitization Corporation (NTSC) entered into a memorandum of agreement with Alaska Housing Finance Corporation (AHFC) that retains AHFC as administrator with respect to the preparation of all reports and other instruments and documents that 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, 2015 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, 2015.

For the year ended December 31, 2013, Alaska Railroad Corporation issued a \$1,940 thousand note payable to the State of Alaska, Department of Transportation and Public Facilities in exchange for real property. The note payable outstanding balance at December 31, 2014 is \$1,856 thousand.

The Department of Transportation and Public Facilities (DOTPF) provides administrative and technical services benefiting all Alaska's airports and aircraft bases. Costs allocated to the International Airport Fund (IAF) as operating expenses totaled \$2,525 thousand for the year ended June 30, 2015. 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 \$2,441 thousand during the year ended June 30, 2015.

**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, 2015, is \$18,316 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2015. 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 15 expended for school debt was \$116,387 thousand, which was 98.6 percent of the entitlement. The remaining FY 15 entitlement of \$1,638 thousand, 1.4 percent, was actually paid out in September 2015. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately \$1,156,213 thousand. The State has in the past and may in the future appropriate less than the full amount to which the municipalities are entitled under statute.

**C. RISK MANAGEMENT AND SELF-INSURANCE**

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

Risk Management acts as the insurance carrier for each state agency, funding all sudden and accidental property and casualty claims. The annual premiums allocated by Risk Management are the maximum each agency is called upon to pay. This planning for known and catastrophic losses forestalls the need for the affected agency to request a supplemental appropriation or disrupt vital state services after a major property loss, adverse civil jury award, or significant workers' compensation claim.

By effectively managing the state's property and liability exposures through a comprehensive self-insurance program, Risk Management expends less public funds than would be paid to private insurance companies, while at the same time providing streamlined claims services utilizing professional adjusting firms located throughout Alaska.

Property insurance with all-risk (including earthquake and flood) coverage is provided on a replacement cost basis for all state-owned or leased property; buildings (including contents, museum fine arts, etc.), aircraft, watercraft (Alaska Marine Highway System ferries and other agency vessels).

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

Additional specialty coverage 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 15, the State completely self-insured all statutory workers' compensation claims, general (premises and operations) and professional liability, and automobile liability. The State had Self-Insured Retention (SIR) levels of \$1 million per claim for property, \$750,000 for marine risks, and \$250,000 per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: \$1 billion per occurrence for marine, \$200 million for property, and \$500 million for aviation.

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

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

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

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

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

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

The table below presents changes in policy claim liabilities for the fiscal years ending June 30, 2014 and June 30, 2015 (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 14 and a 3.0 percent discount interest rate for FY 15. 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 |
|-------------|-------------------|--|----------------|----------------|
| 2014        | \$ 102,885        | \$ 60,081                                    | \$ (40,091)    | \$ 122,875     |
| 2015        | 122,875           | 52,822                                       | (42,332)       | 133,365        |

#### 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 \$21,651 thousand, with an additional possible liability of \$23,379 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 an appeals decision issued by the Department of Revenue’s Appeals Group or by the Department of Administration’s Office of Administrative Hearings. The amount of potential refund could not be estimated.

#### **E. FEDERAL GRANTS**

The State has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, it is believed that any required reimbursements will not be material.

#### **F. DISASTER RELIEF FUND**

The State may be liable to reimburse communities for expenditures related to disasters in excess of the amount allocated by the State.

#### **G. FUTURE LOAN COMMITMENTS**

As of June 30, 2015, the Alaska Clean Water and the Alaska Drinking Water Funds are committed to funding loans for which they have entered into agreements for communities but funds have not yet been disbursed. The total amounts to be disbursed under these agreements is uncertain as not all of the loans are expected to be fully drawn and some loans may increase with changes in scope of the underlying projects; accordingly, they are not included in the financial statements for these funds. As of June 30, 2015, 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 \$77,424 thousand and \$54,651 thousand respectively.

As of June 30, 2015, the Department of Commerce, Community and Economic Development, Division of Investment, identified outstanding loan commitments. Agreements have been entered into, yet funds have not yet been disbursed. The open loan commitments include the Alaska Commercial Fishing Revolving Loan Fund for \$2,236 thousand, the Alaska Fisheries Enhancement Revolving Loan Fund for \$4,163 thousand, and the Alaska Bulk Fuel Revolving Loan Fund for \$6,347 thousand.

At June 30, 2015, the Alaska Energy Authority had open loan commitments of \$20,262 thousand.

At June 30, 2015, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan participation purchase commitments to be funded by the Revolving Fund of \$50.8 million, direct financing loans of \$30.0 million, and loan guarantees of \$2.0 million. AIDEA extended commitments to fund borrowings not to exceed \$31.9 million from the Sustainable Energy Transmission and Supply Development Fund in the form of two lines of credit relating to the Interior Energy Project. These commitments, in addition to the currently outstanding Interior Energy Project related line of credit of \$20.9 million, will be converted to term loans in the future if certain events occur. In the event the lines of credit do not convert to term loans their repayment may be limited.

AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies 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.

The AGDC entered into a Joint Venture Agreement effective July 1, 2014, with affiliates of ExxonMobil, BP, ConocoPhillips, and TransCanada Corporation, for a proposed Alaska Liquefied Natural Gas (AK LNG) project. The project is to jointly fund and conduct Pre Front End Engineering (Pre-FEED) work consisting of engineering, design, permitting and related studies for a North Slope treatment plant, large-diameter pipeline from the North Slope to Nikiski and liquefied natural gas plant and marine terminal at Nikiski. Costs of the overall project are estimated to be \$45 billion to \$65 billion and the estimated export of LNG is 15 million to 18 million tons per year. Under the agreement, AGDC would contribute \$31 million and \$22.4 million in FY 15 and FY 16, respectfully, to carry out the Pre-FEED work for the Alaska LNG project. In FY 15 AGDC contributed \$16.3 million, with the remainder to be contributed in FY 16 and FY 17.

AIDEA entered into an agreement to purchase Pentex Alaska Natural Gas Company, LLC for \$52.5 million plus the amount of Net Working Capital the acquired companies have on the closing date up to a maximum of \$1.5 million. AIDEA paid \$2,675 thousand deposit from the Revolving Fund in FY 15 towards the purchase, which is reflected in other assets in AIDEA's financial statements. The purchase closed in September 2015.

## I. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments. At June 30, 2015, ARMB's unfunded commitments were as follows:

| Investment Type/Term     | Amounts in thousands |                   |                  |
|--------------------------|----------------------|-------------------|------------------|
|                          | PERS                 | TRS               | JRS              |
| Private Equity           |                      |                   |                  |
| To be paid through 2026. | \$ -                 | \$ 415,392        | \$ 8,959         |
| To be paid through 2022. | 829,676              | -                 | -                |
| Energy                   |                      |                   |                  |
| To be paid through 2023. | 52,219               | 26,144            | 564              |
| Real Estate              |                      |                   |                  |
| To be paid through 2024. | 141,204              | 67,850            | 1,371            |
|                          | <u>\$ 1,023,099</u>  | <u>\$ 509,386</u> | <u>\$ 10,894</u> |

## J. POLLUTION REMEDIATION

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

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

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

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



At July 1, 2014, the General Fund had pollution remediation obligations of \$78,200 thousand. As of June 30, 2015, the State had an increase to the obligation of \$84,871 thousand and recognized a decrease of \$20,439 thousand, for an ending balance of \$142,632 thousand in pollution remediation obligation related activities. The State has an estimated potential recovery of \$15,604 thousand from other responsible parties.

At July 1, 2014, the International Airports Fund (IAF) reported pollution remediation liabilities of \$1,193 thousand for which IAF is in whole or in part a responsible party. As of June 30, 2015, IAF did not report any increases or decreases, for an ending balance of \$1,193 thousand. IAF has an identified \$30 thousand expected to be collected from third parties. The estimated liabilities were measured using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. This accrual includes the estimated obligation for five sites. IAF has also identified 17 other sites for which it is in whole or in part a responsible party, but for which no obligating event has occurred.

At December 31, 2013, the Alaska Railroad Corporation had pollution remediation obligations of \$2,473 thousand. As of December 31, 2014, the Alaska Railroad Corporation had additional obligations of \$783 thousand and reductions in obligations of \$639 thousand, for an ending liability of \$2,617 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, 2015 (in thousands):

|                       | Amount<br>(in thousands) |
|-----------------------|--------------------------|
| General Fund          | \$ 1,717,334             |
| Special Revenue Funds | 38,139                   |
| Capital Project Funds | 73,408                   |
| Total Encumbrances    | <u>\$ 1,828,881</u>      |

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

The Department of Administration, Department of Education and Early Development, Department of Commerce, Community and Economic Development, and the Department of Transportation and Public Facilities have several construction/maintenance projects underway which total \$450.2 million of which \$384.5 million is in the General Fund, \$22.5 million is in a Special Revenue Fund, and \$43.2 million are Capital Project Funds. These projects are funded by a mixture of general funds, bond proceeds, and component units.

The Department of Commerce, Community and Economic Development administers grants to municipalities and named recipients which total \$284.7 million of which \$278.5 is in the General Fund and \$6.2 million is in the Capital Project Fund. These projects are funded by the general funds 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 \$101.8 million, which is in the General Fund. This is funded by general fund resources.

The Department of Administration, Department of Health and Social Services and the Department of Revenue have information technology projects underway within the General Fund totaling \$44.3 million funded by general fund resources and federal programs.

**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, provider claim submission errors, and system defects. Due to the complexity of claim processing, the cost of settling the suspended claims cannot be reasonably estimated.

October 1, 2013 the Department of Health and Social Services legacy Medicaid system was replaced by the Alaska Health Enterprise (AHE) system. After the system went live, numerous system defects were identified. While the number of defects decreased in FY 15, the claims affected by these defects were not completely corrected and reprocessed. Additionally, the system continued to pay some claims incorrectly. Due to the complexity of claim pricing, the total amount affected by AHE system defects cannot be reasonably estimated before the defects are corrected.

**NOTE 13 – SUBSEQUENT EVENTS**

**A. ALASKA MUNICIPAL BOND BANK AUTHORITY**

Subsequent to year end, the Alaska Municipal Bond Bank Authority (AMBBA) issued the 2015 Series Three general obligation bonds in the principal amount of \$96.2 million. The 2015 Series Three bonds priced on August 26, 2015 and closed on September 16, 2015. The true interest cost for the total issuance was four percent with last maturity on October 1, 2044.

On January 7, 2016 AMBBA posted the 2016 Series One Preliminary Official Statement and Notice of Sale with an estimated issuance amount of \$38,335 thousand. The bonds are expected to price by competitive sale on January 20, 2016 and close on February 2, 2016.

**B. ALASKA CLEAN WATER FUND**

Pursuant to legislative authorization obtained during the 2015 session of the Alaska Legislature, Series A Revenue Bond Anticipation Notes for FY 16 in the amount of \$1,683 thousand were issued on November 23, 2015. The Notes were repaid on November 24, 2015. 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 2015 session of the Alaska Legislature, Series A Revenue Bond Anticipation Notes for FY 16 in the amount of \$1,777 thousand were issued on November 23, 2015. The Notes were repaid on November 24, 2015. The borrowing is secured by interest earnings of the Alaska Drinking Water Fund.

**D. ALASKA STUDENT LOAN CORPORATION**

On September 30, 2015, the Alaska Student Loan Corporation (ASLC) called all outstanding 2005 Serial, Series A bonds, at par in the amount of \$15,750 thousand.

On November 12, 2015 the ASLC legally defeased \$30,945 thousand in bonds representing those outstanding under the 2002 Indenture. Cash in the amount of \$32,597 thousand was used to purchase certain United States Treasury Obligations. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The ASLC defeased the bonds to release loans pledged to the 2002 Indenture.

**E. UNIVERSITY OF ALASKA**

In July 2015, the University issued General Revenue Bonds 2015 Series T with a par amount of \$65,350 thousand and a 25 year term. Average annual debt service is \$4.9 million.

In September 2015, the University entered into a loan agreement with the Alaska Municipal Bond Bank to borrow \$86.1 million with a 30 year term. Average annual debt service is \$5.6 million.

**F. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**

On August 25, 2015, AIDEA issued \$65,720 thousand Power Revenue Refunding Bonds, 2015 Series to refund all of the outstanding Power Revenue Bonds, First Series (Snettisham Hydroelectric Project) pursuant to the Snettisham Power Revenue Bond Resolution. The refunding resulted in a financial benefit to the project.

**G. ALASKA LIQUEFIED NATURAL GAS PROJECT**

Governor Walker called the Legislature into a third special session to approve a proposal to buy TransCanada's share of the gas pipeline and gas treatment facilities. On November 4, 2015 the bill was passed by the Legislature. This bill appropriates \$68.5 million to the Alaska Liquefied Natural Gas (LNG) project fund for the State to acquire the interests of TransCanada, plus \$75.6 million for the State's continued participation in the Alaska LNG project and funding the State's share of preliminary front-end engineering and design work for the project. The bill was signed into law by Governor Walker on November 6, 2015.

**H. ALASKA HOUSING FINANCE CORPORATION**

In December 2015, the Alaska Housing Finance Corporation (AHFC) issued \$55,620 thousand State Capital Project Bonds II, 2015 Series C. The bonds are general obligations of AHFC. The 2015 Series C bonds are tax exempt and bear interest at fixed rates between two percent and five percent payable each June 1 and December 1 with a final maturity of June 1, 2035.

**I. INTERNATIONAL AIRPORT FUND**

The International Airports Fund (IAF) is nearing completion of a bond transaction intended to take advantage of currently favorable market rates to refund approximately \$200 million of outstanding revenue bonds (Series 1999A, 1999C, 2003B, 2006A, 2006B, and 2006D) for the dual goals of saving an estimated \$14.6 million net present value savings and lowering annual debt service by extending term by four years. The refunding bonds have received the same ratings from Fitch and Moody's as currently outstanding IAF par revenue bonds of A+/Stable and A1/Stable, respectively. The transaction is currently anticipated to price the 2016 Series A (Non-AMT) and 2016 Series B (AMT) on January 13, 2016, price the 2016 Series C (AMT) and D (AMT) on January 19, 2016 and close the Series A and Series B on February 10, 2016 and close the series C and D on July 6, 2016.

**J. GENERAL OBLIGATION BONDS**

On January 5, 2016, the State Bond Committee authorized the issuance of up to \$160 million of General Obligation Bonds to refinance the Series 2015A Bond Anticipation Notes (BANs), and up to \$150 million of BANs to fund 2012 transportation act projects. These two transactions are anticipated to occur between February and June.

# Required Supplementary Information

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STATE OF ALASKA  
 Budgetary Comparison Schedule  
 General Fund  
 For the Fiscal Year Ended June 30, 2015  
 (Stated in Thousands)

STATEMENT 2.01

|   | Original<br>Budget    | Final<br>Budget       | Actual               | Variance with<br>Final Budget |
|---|-----------------------|-----------------------|----------------------|-------------------------------|
| <b>REVENUES</b>   |                       |                       |                      |                               |
| Unrestricted:   |                       |                       |                      |                               |
| Taxes   | \$ 2,790,000          | \$ 2,790,000          | \$ 687,692           | \$ 2,102,308                  |
| Licenses and Permits  | 66,309                | 67,388                | 130,090              | (62,702)                      |
| Charges for Services  | 160,549               | 164,194               | 199,316              | (35,122)                      |
| Fines and Forfeitures   | 16,300                | 16,300                | 15,269               | 1,031                         |
| Rents and Royalties   | 1,656,203             | 1,656,375             | 1,175,258            | 481,117                       |
| Premiums and Contributions  | 396                   | 414                   | 20,638               | (20,224)                      |
| Interest and Investment Income  | 537,646               | 537,646               | 336,928              | 200,718                       |
| Payments In from Component Units  | 31,643                | 31,371                | 14,040               | 17,331                        |
| Other Revenues  | 31,341                | 31,341                | 25,087               | 6,254                         |
| Restricted:   |                       |                       |                      |                               |
| Federal Grants in Aid   | 7,223,321             | 7,324,016             | 2,395,877            | 4,928,139                     |
| Interagency   | 713,026               | 982,485               | 640,379              | 342,106                       |
| Payments In from Component Units  | 66                    | 66                    | 66                   | -                             |
| Other Revenues  | 16,609                | 16,609                | 1,390                | 15,219                        |
| Total Revenues  | <u>13,243,409</u>     | <u>13,618,205</u>     | <u>5,642,030</u>     | <u>7,976,175</u>              |
| <b>EXPENDITURES</b>   |                       |                       |                      |                               |
| Current:  |                       |                       |                      |                               |
| General Government  | 1,670,018             | 1,661,142             | 1,528,720            | 132,422                       |
| Alaska Permanent Fund Dividend  | 1,215,407             | 1,215,407             | 1,203,234            | 12,173                        |
| Education   | 2,906,579             | 4,110,386             | 4,019,897            | 90,489                        |
| University  | 448,230               | 448,870               | 652,181              | (203,311)                     |
| Health and Human Services   | 3,423,000             | 3,487,926             | 2,912,414            | 575,512                       |
| Law and Justice   | 321,014               | 341,399               | 312,155              | 29,244                        |
| Public Protection   | 1,091,638             | 1,220,472             | 978,941              | 241,531                       |
| Natural Resources   | 777,671               | 801,069               | 492,024              | 309,045                       |
| Development   | 900,497               | 866,202               | 607,363              | 258,839                       |
| Transportation  | 7,028,246             | 7,235,175             | 2,856,301            | 4,378,874                     |
| Intergovernmental Revenue Sharing   | 66,937                | 138,675               | 137,033              | 1,642                         |
| Debt Service:   |                       |                       |                      |                               |
| Principal   | 32,356                | 32,356                | 34,004               | (1,648)                       |
| Interest and Other Charges  | 1,103                 | 1,103                 | 1,529                | (426)                         |
| Total Expenditures  | <u>19,882,696</u>     | <u>21,560,182</u>     | <u>15,735,796</u>    | <u>5,824,386</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures  | <u>(6,639,287)</u>    | <u>(7,941,977)</u>    | <u>(10,093,766)</u>  | <u>2,151,789</u>              |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                       |                       |                      |                               |
| Bonds Issued  | 30,895                | 30,895                | 30,895               | -                             |
| Bonds Issued Premium  | 4,532                 | 4,532                 | 4,532                | -                             |
| Transfers In from Other Funds   | 8,332,617             | 8,378,387             | 8,377,874            | 513                           |
| Transfers (Out to) Other Funds  | (7,088,114)           | (7,088,114)           | (7,173,389)          | 85,275                        |
| Total Other Financing Sources<br>and Uses   | <u>1,279,930</u>      | <u>1,325,700</u>      | <u>1,239,912</u>     | <u>85,788</u>                 |
| Excess (Deficiency) of Revenues,<br>Expenditures, Other Financing Sources,<br>Special and Extraordinary Items,<br>Budgetary Basis | <u>\$ (5,359,357)</u> | <u>\$ (6,616,277)</u> | <u>(8,853,854)</u>   | <u>\$ 2,237,577</u>           |
| <b>RECONCILIATION OF BUDGETARY/<br/>GAAP REPORTING:</b>   |                       |                       |                      |                               |
| Adjust Expenditures for Encumbrances  |                       |                       | 2,135,283            |                               |
| Basis Difference  |                       |                       | <u>(274,761)</u>     |                               |
| Excess (Deficiency) of Revenues,<br>Expenditures, Other Financing Sources,<br>Special and Extraordinary Items,<br>GAAP Basis      |                       |                       | (6,993,332)          |                               |
| Fund Balances - Beginning of Year   |                       |                       | 22,541,616           |                               |
| Prior Period Adjustment   |                       |                       | 283,619              |                               |
| Fund Balances - End of Year   |                       |                       | <u>\$ 15,831,903</u> |                               |

**Note to Required Supplementary Information – Budgetary Reporting  
For the Fiscal Year Ended June 30, 2015**

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 | \$ (262,244)        |
| Medical Assistance Program              | (9,952)             |
| Working Reserve                         | 344                 |
| Tobacco Tax                             | (284)               |
| Alcohol Tax                             | (2,159)             |
| Tire Tax                                | (2)                 |
| Vehicle Rental Tax                      | 18                  |
| Commercial Passenger Vessel Excise Tax  | (482)               |
| Total General Fund Basis Difference     | <u>\$ (274,761)</u> |

**STATE OF ALASKA**  
**Proportionate Share of the Net Pension Liability Schedule**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**  
**As of Measurement Date**  
**(Stated in Thousands)**

**SCHEDULE 2.10**

|   | 2015         | 2014         |
|---|--------------|--------------|
| Primary government's proportion of the net pension liability  | 52.23%       | 51.60%       |
| Component unit's proportion of the net pension liability  | 4.44%        | 4.43%        |
| Nonemployer contributing state's proportion of the net pension liability  | 21.86%       | 22.87%       |
| Primary government's proportionate share of the net pension liability   | \$ 2,436,220 | \$ 2,709,520 |
| Component unit's proportionate share of the net pension liability   | \$ 207,090   | \$ 232,515   |
| Nonemployer contributing state's share of the net pension liability   | \$ 1,019,583 | \$ 1,201,055 |
| Primary government's covered-employee payroll   | \$ 727,637   | \$ 748,941   |
| Component unit's covered-employee payroll   | \$ 134,661   | \$ 138,248   |
| Primary government's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 334.81%      | 361.78%      |
| Component unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll     | 153.79%      | 168.19%      |
| Plan fiduciary net position as a percentage of the total pension liability  | 62.37%       | 56.04%       |

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**  
**Public Employees' Retirement System**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE 2.11**

|  | 2015                | 2014        | 2013        |
|--|---------------------|-------------|-------------|
| <b>Primary Government</b>  |                     |             |             |
| Statutorily required contribution                                  | \$ 287,273          | \$ 200,076  | \$ 177,375  |
| Contributions in relation to the statutorily required contribution | 636,865             | 200,076     | 177,375     |
| Contribution deficiency (excess)                                   | <u>\$ (349,592)</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll   | \$ 690,707          | \$ 727,637  | \$ 748,941  |
| Contributions as a percentage of covered-employee payroll          | 92.20%              | 27.50%      | 23.68%      |
| <b>Component Units</b>   |                     |             |             |
| Statutorily required contribution                                  | \$ 18,561           | \$ 17,313   | \$ 15,819   |
| Contributions in relation to the statutorily required contribution | 18,561              | 17,313      | 15,819      |
| Contribution deficiency (excess)                                   | <u>\$ -</u>         | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll   | \$ 126,050          | \$ 134,661  | \$ 138,248  |
| Contributions as a percentage of covered-employee payroll          | 14.73%              | 12.86%      | 11.44%      |
| <b>Primary Government Nonemployer Contribution</b>                 |                     |             |             |
| Statutorily required contribution                                  | \$ 153,622          | \$ 82,554   | \$ 77,689   |
| Contributions in relation to the statutorily required contribution | 479,750             | 82,554      | 77,689      |
| Contribution deficiency (excess)                                   | <u>\$ (326,128)</u> | <u>\$ -</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.

**STATE OF ALASKA**  
**Required Postemployment Healthcare Contribution Schedule**  
**Last Three Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE 2.12**

**Public Employees' Retirement System**

| year ended<br>June 30 | Actuarial<br>valuation or<br>roll-forward<br>date as of<br>June 30 | Annual Required<br>Contributions<br>Postemployment<br>healthcare | Postemployment<br>healthcare<br>percentage<br>contributed |
|-----------------------|--|--|---|
| 2012                  | 2009   | \$ 498,433   | 73.6 %  |
| 2013                  | 2010   | 612,792  | 62.6  |
| 2014                  | 2011   | 783,827  | 45.6  |

**Teachers' Retirement System**

| year ended<br>June 30 | Actuarial<br>valuation or<br>roll-forward<br>date as of<br>June 30 | Annual Required<br>Contributions<br>Postemployment<br>healthcare | Postemployment<br>healthcare<br>percentage<br>contributed |
|-----------------------|--|--|---|
| 2012                  | 2009   | \$ 192,700   | 65.4 %  |
| 2013                  | 2010   | 330,411  | 44.0  |
| 2014                  | 2011   | 320,797  | 45.6  |

**Judicial Retirement System**

| year ended<br>June 30 | Actuarial<br>valuation or<br>roll-forward<br>date as of<br>June 30 | Annual Required<br>Contributions<br>Postemployment<br>healthcare | Postemployment<br>healthcare<br>percentage<br>contributed |
|-----------------------|--|--|---|
| 2013                  | 2010   | \$ 1,076   | 80.5 %  |
| 2014                  | 2011   | 1,094  | 86.7  |
| 2015                  | 2012   | 313  | 166.5   |

**STATE OF ALASKA**  
**Proportionate Share of the Net Pension Liability Schedule**  
**Teachers' Retirement System**  
**Last Ten Fiscal Years**  
**As of Measurement Date**  
**(Stated in Thousands)**

**SCHEDULE 2.20**

|   | 2015         | 2014         |
|---|--------------|--------------|
| Primary government's proportion of the net pension liability  | 0.79%        | 0.78%        |
| Component unit's proportion of the net pension liability  | 0.97%        | 1.02%        |
| Nonemployer contributing state's proportion of the net pension liability  | 84.10%       | 83.41%       |
| Primary government's proportionate share of the net pension liability   | \$ 23,739    | \$ 25,930    |
| Component unit's proportionate share of the net pension liability   | \$ 29,024    | \$ 33,771    |
| Nonemployer contributing state's share of the net pension liability   | \$ 2,522,174 | \$ 2,761,123 |
| Primary government's covered-employee payroll   | \$ 4,708     | \$ 4,859     |
| Component unit's covered-employee payroll   | \$ 34,497    | \$ 36,150    |
| Primary government's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 504.23%      | 533.65%      |
| Component unit's proportionate share of the net pension liability as a percentage of its covered-employee payroll     | 84.13%       | 93.42%       |
| Plan fiduciary net position as a percentage of the total pension liability  | 55.70%       | 49.76%       |

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**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE 2.21**

|  | 2015                  | 2014        | 2013        |
|--|-----------------------|-------------|-------------|
| <b>Primary Government</b>  |                       |             |             |
| Statutorily required contribution                                  | \$ 2,644              | \$ 1,951    | \$ 1,836    |
| Contributions in relation to the statutorily required contribution | 12,500                | 1,951       | 1,836       |
| Contribution deficiency (excess)                                   | <u>\$ (9,856)</u>     | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll   | \$ 4,307              | \$ 4,708    | \$ 4,859    |
| Contributions as a percentage of covered-employee payroll          | 290.23%               | 41.44%      | 37.79%      |
| <b>Component Units</b>   |                       |             |             |
| Statutorily required contribution                                  | \$ 2,314              | \$ 2,385    | \$ 2,390    |
| Contributions in relation to the statutorily required contribution | 2,314                 | 2,385       | 2,390       |
| Contribution deficiency (excess)                                   | <u>\$ -</u>           | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll   | \$ 31,575             | \$ 34,497   | \$ 36,150   |
| Contributions as a percentage of covered-employee payroll          | 7.33%                 | 6.91%       | 6.61%       |
| <b>Primary Government Nonemployer Contribution</b>                 |                       |             |             |
| Statutorily required contribution                                  | \$ 315,279            | \$ 207,271  | \$ 195,435  |
| Contributions in relation to the statutorily required contribution | 1,650,517             | 207,271     | 195,435     |
| Contribution deficiency (excess)                                   | <u>\$ (1,335,238)</u> | <u>\$ -</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.

## STATE OF ALASKA

## SCHEDULE 2.30

**Changes in the Net Pension Liability and Related Ratios Schedule**  
**Judicial Retirement System**  
**Last Ten Fiscal Years**  
**As of Measurement Date**  
**(Stated in Thousands)**

|  | 2015        |
|--|-------------|
| <b>Total pension liability</b>   |             |
| Service cost   | \$ 5,186    |
| Interest   | 15,320      |
| Changes of benefits terms  | -           |
| Differences between expected and actual experience                         | (3,741)     |
| Changes of assumptions   | 1,407       |
| Benefit payments, including refunds of employee contributions              | (10,578)    |
| Net change in total pension liability                                      | 7,594       |
| <b>Total pension liability - beginning</b>                                 | 77,071      |
| <b>Total pension liability - ending (a)</b>                                | 84,665      |
| <b>Plan fiduciary net position</b>   |             |
| Contributions - employer   | 8,862       |
| Contributions - employee   | 780         |
| Net investment income  | 21,845      |
| Benefit payments, including refunds of employee contributions              | (10,578)    |
| Administrative expenses  | (66)        |
| Net change in plan fiduciary net position                                  | 20,843      |
| <b>Plan fiduciary net position - beginning</b>                             | 118,705     |
| <b>Plan fiduciary net position - ending (b)</b>                            | 139,548     |
| <b>State's net pension liability - ending (a) - (b)</b>                    | \$ (54,883) |
| Plan fiduciary net position as a percentage of the total pension liability | 164.82%     |
| Covered-employee payroll   | \$ 13,731   |
| State's net pension liability as a percentage of covered-employee payroll  | -399.70%    |

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**  
**Judicial Retirement System**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE 2.31**

|  | 2015          | 2014          | 2013          | 2012            |
|--|---------------|---------------|---------------|-----------------|
| Actuarially determined contribution                                  | \$ 10,329     | \$ 9,156      | \$ 8,367      | \$ 5,052        |
| Contributions in relation to the actuarially determined contribution | 10,222        | 8,862         | 8,094         | 5,419           |
| Contribution deficiency (excess)                                     | <u>\$ 107</u> | <u>\$ 294</u> | <u>\$ 273</u> | <u>\$ (367)</u> |
| Covered-employee payroll   | \$ 13,507     | \$ 13,731     | \$ 13,289     | \$ 11,803       |
| Contributions as a percentage of covered-employee payroll            | 75.68%        | 64.54%        | 60.91%        | 45.91%          |

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.

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  
Funding Progress for Postemployment Healthcare Benefits Schedule  
Judicial Retirement System  
Last Three Fiscal Years  
(Stated in Thousands)

SCHEDULE 2.32

| Actuarial<br>valuation<br>year ended<br>June 30 | Actuarial<br>value of<br>plan assets | Actuarial<br>accrued<br>liabilities<br>(AAL) | Unfunded<br>Actuarial<br>accrued<br>liabilities<br>(UAAL) | Funded<br>ratio | Covered<br>payroll | UAAL<br>as a<br>percentage<br>of covered<br>payroll |
|---|--------------------------------------|--|---|-----------------|--------------------|---|
| 2010  | \$ 19,694                            | \$ 22,346                                    | \$ 2,652  | 88.1 %          | \$ 11,846          | 22.4 %  |
| 2012  | 20,836                               | 18,236                                       | (2,600)   | 114.3           | 11,803             | (22.0)  |
| 2014  | 24,074                               | 18,642                                       | (5,432)   | 129.1           | 13,373             | (40.6)  |

## STATE OF ALASKA

## SCHEDULE 2.40

**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)**

|  | 2015     |
|--|----------|
| <b>Total pension liability</b>   |          |
| Service cost   | \$ 632   |
| Interest   | 2,363    |
| Changes of benefits terms  | -        |
| Differences between expected and actual experience                         | 241      |
| Changes of assumptions   | 27       |
| Benefit payments, including refunds of employee contributions              | (1,611)  |
| Net change in total pension liability                                      | 1,652    |
| <b>Total pension liability - beginning</b>                                 | 35,063   |
| <b>Total pension liability - ending (a)</b>                                | 36,715   |
| <b>Plan fiduciary net position</b>   |          |
| Contributions - employer   | 740      |
| Contributions - employee   | -        |
| Net investment income  | 4,528    |
| Benefit payments, including refunds of employee contributions              | (1,611)  |
| Administrative expenses  | (223)    |
| Net change in plan fiduciary net position                                  | 3,434    |
| <b>Plan fiduciary net position - beginning</b>                             | 34,033   |
| <b>Plan fiduciary net position - ending (b)</b>                            | 37,467   |
| <b>State's net pension liability - ending (a) - (b)</b>                    | \$ (752) |
| Plan fiduciary net position as a percentage of the total pension liability | 102.05%  |
| Covered-employee payroll   | N/A      |
| State's net pension liability as a percentage of covered-employee payroll  | 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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**STATE OF ALASKA**  
**Employer Contributions Schedule**  
**Alaska National Guard and Alaska Naval Militia Retirement System**  
**Last Ten Fiscal Years**  
**(Stated in Thousands)**

**SCHEDULE 2.41**

|  | 2015        | 2014            | 2013            | 2012        |
|--|-------------|-----------------|-----------------|-------------|
| Actuarially determined contribution                                  | \$ 627      | \$ 475          | \$ 431          | \$ 896      |
| Contributions in relation to the actuarially determined contribution | 627         | 740             | 739             | 896         |
| Contribution deficiency (excess)                                     | <u>\$ -</u> | <u>\$ (265)</u> | <u>\$ (308)</u> | <u>\$ -</u> |
| Covered-employee payroll   | N/A         | N/A             | N/A             | N/A         |
| Contributions as a percentage of covered-employee payroll            | N/A         | N/A             | N/A             | N/A         |

**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, 2006 to the June 30, 2008 actuarial valuation an administration expense load was added to the calculation of the annual contribution equal to the average of the prior two years of actual expenses, rounded to the nearest thousands.

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.

**SCHEDULE 2.41**

| 2011        | 2010            | 2009        | 2008               | 2007        | 2006           |
|-------------|-----------------|-------------|--------------------|-------------|----------------|
| \$ 965      | \$ 2,415        | \$ 2,473    | \$ 1,737           | \$ 1,737    | \$ 2,025       |
| 965         | 2,603           | 2,473       | 11,737             | 1,737       | 2,054          |
| <u>\$ -</u> | <u>\$ (188)</u> | <u>\$ -</u> | <u>\$ (10,000)</u> | <u>\$ -</u> | <u>\$ (29)</u> |
| N/A         | N/A             | N/A         | N/A                | N/A         | N/A            |
| N/A         | N/A             | N/A         | N/A                | N/A         | N/A            |



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# Combining Fund Statements

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# General Fund

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

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

- **Abandoned Motor Vehicles Fund (Fund 11211)** – AS 28.11.110 – Administered by the Department of Administration. This fund consists of money appropriated to the fund by the legislature and proceeds from the sale of abandoned motor vehicles. This fund was created to reimburse payment of services associated with impounding, advertising, and selling abandoned vehicles.
- **Adak Airport Operations Fund (Fund 11181)** – PL 101-510 – The Alaska Department of Transportation and Public Facilities and the United States Department of Defense entered into a cooperative agreement under which the State will undertake operation and maintenance of a portion of the former Naval Air Facility known as the Adak Airport. In accordance with the agreement, the Navy paid the State \$10,000,000 to operate and maintain the airport.
- **Alaska Capital Income Fund (Fund 11185)** – AS 37.05.565 – Administered by the Department of Revenue. This fund consists of money deposited to the fund from income earned on money awarded in or received as a result of State v. Amerada Hess and of appropriations to the fund. Money may be appropriated from this fund for any public purpose, including covering annual debt service and reserves for debt service on bonds authorized by state law.
- **Alaska Debt Retirement Fund (Fund 11138)** – AS 37.15.011 – The fund consists of all money appropriated to it. The fund was established to help meet the General Fund debt obligations of the State and its political subdivisions, to fund lease-purchases, and to finance capital projects with money remaining after debt obligations are paid.
- **Alaska Gasline Inducement Act Reimbursement (Fund 11188)** – AS 43.90.400 – Administered by the Office of the Governor. This fund consists of money appropriated to it by the legislature for reimbursing a percentage of qualified expenditures as authorized under AS 43.90.110. These state matching contributions serve as an inducement to aid in the construction of a natural gas pipeline.
- **Alaska Higher Education Investment Fund (Fund 11195)** – AS 37.14.750 – Administered by the Department of Education and Early Development. This fund consists of appropriations, income earned on investments of fund assets, donations and money redeposited under AS 14.43.915(c). This fund is used for making grants and scholarship payments.
- **Alaska Historical Commission Receipts Account (Fund 11111)** – AS 41.35.380 – Administered by the Department of Natural Resources. Consists of all monetary gifts, grants, bequests, royalties, and other income received by the Alaska Historical Commission and is used for commission projects.
- **Alaska Marine Highway System Fund (Fund 12149)** – AS 19.65.060 – Administered by the Department of Transportation and Public Facilities, Alaska Marine Highway System. Gross revenues of the Alaska Marine Highway System are deposited into the fund. The fund also consists of legislative appropriations of amounts necessary to provide stable services to the public, after consideration of gross revenue.
- **Alaska Marine Highway System Vessel Replacement Fund (Fund 11137)** – AS 37.05.550 – Managed by the Department of Revenue. The fund consists of money appropriated to it by the legislature. The legislature may appropriate money from the fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels, or replacement of retired or outmoded state ferry vessels.

- **Alaska Senior Care Fund (Fund 11182)** – AS 47.45.360 – Administered by the Department of Health and Social Services. The fund is used to pay for the costs incurred in the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as authorized under AS 47.45.300 – 47.45.390.
- **Alaska Technical and Vocational Education Program Fund (Fund 11166)** – AS 23.15.830 – Administered by the Department of Labor and Workforce Development. The fund consists of amounts collected under AS 23.15.835. The legislature may appropriate the annual estimated balance in the fund to the Alaska Workforce Investment Board to implement AS 23.15.820 – 23.15.850. The legislature may appropriate the lapsing balance of the fund to the Unemployment Compensation Fund established in AS 23.20.130.
- **Alaska Transportation Infrastructure Bank (Fund 21653)** – Section 350 of the National Highway System Designation Act of 1995 Federal Law – Managed by the Department of Transportation and Public Facilities. This fund was established as a pilot program with the U.S. Department of Transportation to increase infrastructure investment in the private sector. The fund has the ability to make loans and provide other forms of credit assistance to public and private entities to carry out highway construction and transit capital projects.
- **Alaska Veterans’ Memorial Endowment (Fund 36010)** – AS 37.14.700(a) – Administered by the Department of Military and Veterans’ Affairs. The fund is used to maintain and develop veteran or military memorials. The fund consists of appropriations to the fund, donations to the fund, and income earned on investments of fund assets.
- **Alcohol and Other Drug Abuse Treatment and Prevention Fund (Fund 11178)** – AS 43.60.050 – Administered by the Department of Health and Social Services. The fund is used to establish and maintain programs for the prevention and treatment of alcoholism, drug abuse, and misuse of hazardous volatile materials and substances by inhalant abusers under AS 47.37.030.
- **Anatomical Gift Awareness Fund (Fund 11183)** – AS 13.50.160(a) – Administered by the Department of Administration. This fund was established to promote gifts under AS 13.50 the Health Care Decisions Act and to administer the donation program established under AS 13.50.130. The fund consists of donations and fees collected to support the Donor Registry Program.
- **Art in Public Places Fund (Fund 11124)** – AS 44.27.060 – Administered by the Alaska State Council on the Arts. This fund consists of one percent of the construction cost of buildings exempt from AS 35.27. The money is used to commission or purchase art for public state-owned or leased buildings or facilities.
- **Assistive Technology Loan Guarantee Fund (Fund 11154)** – AS 23.15.125 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation (DVR). The fund consists of money appropriated to it. DVR may solicit and accept available public and private money for distribution from the fund. Money in the fund may be used to guarantee 90 percent of the principal amount of a loan or to subsidize the interest rate of a loan guaranteed by DVR for appropriate assistive technology.
- **Building Safety Account (Fund 11177)** – AS 44.31.025 – Administered by the Department of Labor and Workforce Development. The collection of fees associated with building inspection and the issuance of certificates of fitness will be deposited in the Building Safety Account. The legislature may appropriate money from the account for necessary costs incurred by the Department of Labor and Workforce Development in the administration of AS 18.60.180 – 18.60.395, 18.60.800 – 18.60.820 and AS 18.62 relating to building safety and certificates of fitness.
- **Civil Legal Services Fund (Fund 12154)** – AS 37.05.590 – The fund consists of appropriations made to it. Annually, the legislature may only appropriate to the fund amounts deposited into the general fund of the state under AS 09.17.020(j). The legislature may make appropriations from the fund to organizations that provide civil legal services to low-income individuals.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174)** – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department’s operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department’s operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.



- **Commercial Vessel Passenger Tax Account (Fund 11203)** – AS 43.35.220, AS 43.52.230(a) – Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state’s marine water, and proceeds on gambling activities on large passenger vessels in the state. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce, and such other lawful purposes as determined by the legislature.
- **Community Revenue Sharing Fund (Fund 11200)** – AS 29.60.850 – Administered by the Department of Commerce, Community, and Economic Development. The Fund provides community revenue sharing payments to municipalities, reserves, and communities for any public purpose. The fund consists of appropriations. Income earned on money in the fund may be appropriated to the fund. The legislature may appropriate 20 percent of the money received by the State during the previous calendar year under AS 43.55.011(g).
- **Constitutional Budget Reserve Fund (Fund 33041)** – Alaska Constitution, Article IX, Section 17; AS 37.13 – Administered by the Department of Revenue. All money received by the State as a result of the termination of administrative proceedings or litigation in a state or federal court involving mineral lease bonuses, rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments or bonuses, or involving taxes imposed on mineral income, production, or property are deposited in the fund, except for the share of those proceeds that are deposited into the Alaska Permanent Fund.
- **Crime Victims Compensation Fund (Fund 11207)** – AS 18.67.162 – Administered by the Department of Public Safety, Crime Victims Compensation Board. This fund consists of all money appropriated to it, including donations, recoveries of or reimbursements of awards made from the fund and investment income. The purpose of the fund is to facilitate and permit the payment of compensation to innocent persons as a result of certain serious crimes.
- **Disaster Relief Fund (Fund 12120)** – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the State.
- **Donated Commodity Fee Fund (Fund 11120)** – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.
- **Educational Facilities Maintenance and Construction Fund (Fund 11142)** – AS 37.05.560 – Administered by the Department of Education and Early Development. Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.
- **Election Fund (Fund 11179)** – Federal H.R. 3295, “The Help America Vote Act” – Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.
- **Employment Assistance and Training Program Account (Fund 11134)** – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the Unemployment Compensation Fund established in AS 23.20.130.
- **FHWA - Airspace Leases Fund (Fund 11126)** – Section 156 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 requires that the State shall charge fair market value for the sale, use, or lease rentals of right-of-way airspace and that the federal share of these net incomes be used by the State for highway projects. This fund accounts for those revenues. The revenues are available for appropriation by the legislature for highway projects.
- **FICA Administration Fund (Fund 11110)** – AS 39.30.050 – Administered by the Department of Administration. The fund consists of the pro rata share of expenses incurred in the administration of 39.30.010 – 39.30.080 and collected from participating political subdivisions and from the State.

- **Fisheries Disaster Fund (Fund 11180)** – PL 108-7, Sec. 2, Division N, Title V – Fisheries Disasters, Sec. 501(a) – Administered by the Office of the Governor. \$35,000,000 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities that have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.
- **Fuel Emergency Fund (Fund 11125)** – AS 26.23.400 – Administered by the Office of the Governor. This fund is used when the governor determines that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a city or borough, or to a village or unincorporated community to purchase emergency supplies of fuel.
- **Fund for the Improvement of School Performance (Fund 11145)** – AS 14.03.125 – Administered by the Department of Education and Early Development. It is used to make grants to a district located in the State for the purpose of improving school performance.
- **Major Maintenance Grant Fund (Fund 11144)** – AS 14.11.007 – Administered by the Department of Education and Early Development. The fund is used to make grants for the cost of school major maintenance.
- **Memorial Education Revolving Loan Fund (Fund 21611)** – AS 14.43.255 – Administered by the Department of Education and Early Development. The fund was created to pay tribute to the memory of Alaskans who, by example of their lives, or by their distinguished contribution and service to the State, their community, or their profession, exemplified the best that is the challenge of “The Great Land.” The funds shall be used to provide education loans to students selected under AS 14.43.250-325.
- **Municipal Capital Project Matching Grant Fund (Fund 11146)** – AS 37.06.010 – Administered by the Department of Commerce, Community, and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- **Municipal Harbor Facility Grant Fund (Fund 11187)** – AS 29.60.800 – Administered by the Department of Transportation and Public Facilities. The money appropriated to the fund may be expended by the department for municipal harbor grants.
- **Oil and Gas Tax Credit Fund (Fund 11189)** – AS 43.55.028 – Administered by the Department of Revenue. The purpose of this fund is to purchase certain transferable tax credit certificates issued under AS 43.55.023 and certain production tax credit certificates issued under AS 43.55.025. The fund consists of money appropriated to it, including any appropriation of the percentage provided under (c) of this section of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund established in art. IX, sec. 17 (a), Constitution of the State of Alaska; and earnings on the fund.
- **Oil and Hazardous Substance Release Prevention and Response (Fund 11128)** – AS 46.08.010 – Administered by the Department of Environmental Conservation. This fund is composed of two accounts: (1) the prevention account and (2) the response account. The fund consists of appropriations by the legislature of money from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under Chapter 46. This money is for the containment and cleanup of oil or a hazardous substance; monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance; and recovery of the cost to the State of the containment and cleanup of oil or a hazardous substance.
- **Oil and Hazardous Substance Release Prevention Mitigation Account (Fund 11139)** – AS 46.08.020(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance; and fines, penalties, or damages recovered under AS 46.08.005–46.08.080. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the prevention account in the Oil and Hazardous Substance Release Prevention and Response Fund.

- **Oil and Hazardous Substance Release Response Mitigation Account (Fund 11153)** – AS 46.08.025(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site for which the State expended money from the former oil and hazardous substance release response fund before October 2, 1994, or for which the State expended money from the response account. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the response account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Originator Surety Fund (Fund 11202)** – AS 06.60.500 – Administered by the Department of Commerce, Community, and Economic Development. This fund consists of payments made by originator licensees under AS 06.60.550, filing fees retained under AS 06.60.620, income earned on the investment of the money in the fund, and money deposited in the fund by the department under AS 06.60.740.
- **Permanent Fund Dividend Fund (Fund 33020)** – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- **Public Education Fund (Fund 11184)** – AS 14.17.300 – Administered by the Department of Education and Early Development. This account may be expended only in aid of public schools and for centralized correspondence study programs under Chapter 17 – Financing of Public Schools, and for transportation of pupils under AS 14.09.010.
- **Railbelt Energy Fund (Fund 11123)** – AS 37.05.520 – Managed by the Department of Revenue. The legislature may appropriate money from the fund for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.
- **Randolph-Sheppard Small Business Fund (Fund 11118)** – AS 23.15.130, 20 USC 107-107(f) – Administered by the Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- **Real Estate Recovery Fund (Fund 11121)** – AS 08.88.450 – Administered by the Department of Commerce, Community, and Economic Development. This fund is composed of payments made by real estate licensees under AS 08.88.455 and filing fees under AS 08.88.460, income earned on investment of the money in the fund, and money deposited in the fund under AS 08.88.450(c). Amounts in the fund may be appropriated for claims against the fund, for hearing and legal expenses directly related to fund operations and claims, and real estate educational purposes.
- **Regional Cruise Ship Impact Fund (Fund 11205)** – AS 43.52.230(c) – Administered by the Department of Revenue. The fund consists of proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water. Money appropriated from this fund can be used for state-owned harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign, commerce, and such other lawful purposes as determined by the legislature.
- **Regional Educational Attendance Area School Fund (Fund 11190)** – AS 14.11.030 – Administered by the Department of Education and Early Development for the purpose of funding costs of school construction in regional educational attendance areas.
- **School Construction Grant Fund (Fund 11143)** – AS 14.11.005 – Administered by the Department of Education and Early Development. The fund shall be used to make grants for the costs of school construction. Legislative appropriations for school construction shall be deposited in the fund and the proceeds from the sale of general obligation bonds for school construction may be deposited in the fund.
- **School Trust Land Sales (Fund 11162)** – Established per attorney general memo regarding Public School Trust Litigation. Used to separately account for income from former public school trust land, the status of which is in litigation.
- **State Insurance Catastrophe Reserve Account (Fund 11133)** – AS 37.05.289 – Administered by the Department of Administration. Assets of the account may be used to obtain insurance, to establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.
- **State Land Disposal Income Fund (Fund 11164)** – AS 38.04.022(a) – Administered by the Department of Natural Resources. The fund consists of revenue from the state land disposal program.

- **State Land Reforestation Fund (Fund 12130)** – AS 41.17.300 – Administered by the Department of Natural Resources. The money in the state land reforestation fund may be used only for the reforestation of state land, including site preparation; seed and seedling acquisition and cultivation; planting and other reforestation measures; timber stand improvement; and the development of materials and techniques for the reforestation of state land.
- **Statutory Budget Reserve Fund (Fund 11115)** – AS 37.05.540 – Administered by the Department of Revenue. This fund consists of appropriations to the fund. Money received by the State that is subject to the appropriation limit under AS 37.05.540(b) and that exceeds that limit may be appropriated to the budget reserve fund.
- **Surplus Property Revolving Fund (Fund 11112)** – AS 37.05.500(a)(2), AS 44.68.130 – Administered by the Department of Administration. This fund is to account for revenues from the users or purchasers of excess federal property that the State has acquired and is used to pay the administrative expenses incurred in managing this property.
- **Tobacco Use Education and Cessation Fund (Fund 11175)** – AS 37.05.580 – Administered by the Department of Health and Social Services. This fund consists of 20 percent of the annual revenue derived from the settlement of State of Alaska v. Philip Morris, Incorporated, et al, No. 1JU-97-915 CI (Alaska Super. 1997). The purpose of this fund is to provide a source to finance the comprehensive smoking education, tobacco use prevention, and tobacco control program authorized by AS 44.29.020(a)(15).
- **TAPS Rebate Fund (Fund 11163)** – Federal PL 101-380, sec. 8102(a)(B)(I) – The federal government has rebated the pro rata share of the federal Trans-Alaska Pipeline Liability (TAPS) Fund to the State of Alaska for its contributions as an owner of oil. The funds are to be used for the remediation of above-ground storage tanks.
- **Training and Building Fund (Fund 12121)** – AS 23.20.130(d) – Administered by the Department of Labor and Workforce Development. This fund consists of interest and penalties for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. It may be used for the administration of the Employment Security Act when federal funds are not available and for the acquisition of land and buildings for the purpose of providing office space for the department.
- **Trauma Care Fund (Fund 11208)** – AS 18.08.085 – Administered by the Department of Health and Social Services. This fund consists of money appropriated to it by the legislature including donations, recoveries of or reimbursements for awards made from the fund and investment income. The purpose of this fund is to compensate certified trauma centers in the state that receive a special designation under AS 18.08.082(c) and that achieve or maintain the highest appropriate level of trauma care designation.
- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vaccine Assessment (Fund 11212)** – 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 11116)** – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Compensation Benefits Guaranty Fund (Fund 11186)** – AS 23.30.082 – Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **Workers' Safety and Compensation Administration Account (Fund 11173)** – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the State for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.



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STATE OF ALASKA  
Combining Balance Sheet  
General Fund  
June 30, 2015  
(Stated in Thousands)

STATEMENT 3.01

|  | General Fund                                |  |                                       |
|--|---|--|---------------------------------------|
|  | Constitutional<br>Budget Reserve<br>Subfund | Statutory<br>Budget Reserve<br>Subfund | Permanent<br>Fund Dividend<br>Subfund |
| <b>ASSETS</b>  |   |  |                                       |
| Cash and Investments                                   | \$ 10,100,277                               | \$ 1,653,703                           | \$ 25,564                             |
| Accounts Receivable - Net                              | 13,556                                      | -                                      | 355                                   |
| Interest and Dividends Receivable                      | 1,103                                       | 204                                    | 7                                     |
| Due from Other Funds                                   | 3,038,868                                   | 2,258                                  | 1,373,745                             |
| Due from Component Units                               | -   | -                                      | -                                     |
| Due from Other Governments                             | -   | -                                      | -                                     |
| Loans, Notes, and Bonds Receivable                     | -   | -                                      | -                                     |
| Inventories  | -   | -                                      | -                                     |
| Other Assets   | -   | -                                      | 32                                    |
| Total Assets   | <u>\$ 13,153,804</u>                        | <u>\$ 1,656,165</u>                    | <u>\$ 1,399,703</u>                   |
| <b>LIABILITIES</b>                                     |   |  |                                       |
| Accounts Payable and Accrued Liabilities               | \$ -  | \$ -                                   | \$ 5,800                              |
| Due to Other Funds                                     | -   | 1,368,191                              | 2,471                                 |
| Due to Component Units                                 | -   | -                                      | -                                     |
| Due to Other Governments                               | -   | -                                      | -                                     |
| Unearned Revenue                                       | -   | -                                      | -                                     |
| Other Liabilities                                      | -   | -                                      | 2                                     |
| Total Liabilities                                      | <u>-</u>                                    | <u>1,368,191</u>                       | <u>8,273</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |   |  |                                       |
| Unavailable Revenue                                    | -   | -                                      | -                                     |
| Total Deferred Inflows of Resources                    | <u>-</u>                                    | <u>-</u>                               | <u>-</u>                              |
| <b>FUND BALANCES</b>                                   |   |  |                                       |
| Nonspendable:  |   |  |                                       |
| Inventory  | -   | -                                      | -                                     |
| Advances and Prepaid Items                             | 3,000,000                                   | -                                      | -                                     |
| Restricted for:  |   |  |                                       |
| Debt Service   | -   | -                                      | -                                     |
| Education  | -   | -                                      | -                                     |
| Health and Human Services                              | -   | -                                      | -                                     |
| Development  | -   | -                                      | -                                     |
| Other Purposes   | -   | -                                      | -                                     |
| Committed to:  |   |  |                                       |
| Debt Service   | -   | -                                      | -                                     |
| Education  | -   | -                                      | -                                     |
| Health and Human Services                              | -   | -                                      | -                                     |
| Public Protection                                      | -   | -                                      | -                                     |
| Permanent Fund   | -   | -                                      | 1,391,430                             |
| Development  | -   | -                                      | -                                     |
| Other Purposes   | -   | -                                      | -                                     |
| Unassigned   | 10,153,804                                  | 287,974                                | -                                     |
| Total Fund Balances                                    | <u>13,153,804</u>                           | <u>287,974</u>                         | <u>1,391,430</u>                      |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 13,153,804</u>                        | <u>\$ 1,656,165</u>                    | <u>\$ 1,399,703</u>                   |

STATEMENT 3.01

| Public<br>Education<br>Subfund | General<br>and all Other<br>Subfunds | Eliminations<br>of Internal<br>Balances | Total<br>General<br>Fund |
|--------------------------------|--------------------------------------|---|--------------------------|
| \$ 135,635                     | \$ 2,899,783                         | \$ -                                    | \$ 14,814,962            |
| -                              | 129,825                              | -                                       | 143,736                  |
| -                              | 279                                  | -                                       | 1,593                    |
| -                              | 1,527,054                            | (4,463,727)                             | 1,478,198                |
| -                              | 20,154                               | -                                       | 20,154                   |
| -                              | 492,309                              | -                                       | 492,309                  |
| -                              | 16,951                               | -                                       | 16,951                   |
| -                              | 18,500                               | -                                       | 18,500                   |
| -                              | 185,554                              | -                                       | 185,586                  |
| <u>\$ 135,635</u>              | <u>\$ 5,290,409</u>                  | <u>\$ (4,463,727)</u>                   | <u>\$ 17,171,989</u>     |
| \$ -                           | \$ 886,241                           | \$ -                                    | \$ 892,041               |
| -                              | 3,216,980                            | (4,463,727)                             | 123,915                  |
| -                              | 17,217                               | -                                       | 17,217                   |
| -                              | 28                                   | -                                       | 28                       |
| -                              | 44,861                               | -                                       | 44,861                   |
| -                              | 345                                  | -                                       | 347                      |
| <u>-</u>                       | <u>4,165,672</u>                     | <u>(4,463,727)</u>                      | <u>1,078,409</u>         |
| <u>-</u>                       | <u>261,677</u>                       | <u>-</u>                                | <u>261,677</u>           |
| <u>-</u>                       | <u>261,677</u>                       | <u>-</u>                                | <u>261,677</u>           |
| -                              | 18,509                               | -                                       | 18,509                   |
| -                              | 200,681                              | (3,000,000)                             | 200,681                  |
| -                              | 10                                   | -                                       | 10                       |
| -                              | 14,594                               | -                                       | 14,594                   |
| -                              | 29,261                               | -                                       | 29,261                   |
| -                              | 35,247                               | -                                       | 35,247                   |
| -                              | 4,857                                | -                                       | 4,857                    |
| -                              | 1,375                                | -                                       | 1,375                    |
| 135,635                        | 928,824                              | -                                       | 1,064,459                |
| -                              | 216,774                              | -                                       | 216,774                  |
| -                              | 186,718                              | -                                       | 186,718                  |
| -                              | -                                    | -                                       | 1,391,430                |
| -                              | 1,981,222                            | -                                       | 1,981,222                |
| -                              | 153,766                              | -                                       | 153,766                  |
| -                              | (2,908,778)                          | 3,000,000                               | 10,533,000               |
| <u>135,635</u>                 | <u>863,060</u>                       | <u>-</u>                                | <u>15,831,903</u>        |
| <u>\$ 135,635</u>              | <u>\$ 5,290,409</u>                  | <u>\$ (4,463,727)</u>                   | <u>\$ 17,171,989</u>     |

**STATE OF ALASKA**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 3.02**

|  | General Fund                                |  |                                       |
|--|---|--|---------------------------------------|
|  | Constitutional<br>Budget Reserve<br>Subfund | Statutory<br>Budget Reserve<br>Subfund | Permanent<br>Fund Dividend<br>Subfund |
| <b>REVENUES</b>                                      |   |  |                                       |
| Taxes  | \$ 69,218                                   | \$ -                                   | \$ -                                  |
| Licenses and Permits                                 | -   | -                                      | -                                     |
| Charges for Services                                 | -   | -                                      | 475                                   |
| Fines and Forfeitures                                | 895   | -                                      | 179                                   |
| Rents and Royalties                                  | 910   | -                                      | -                                     |
| Premiums and Contributions                           | -   | -                                      | -                                     |
| Interest and Investment Income (Loss)                | 276,624                                     | -                                      | -                                     |
| Federal Grants in Aid                                | -   | -                                      | -                                     |
| Payments In from Component Units                     | -   | -                                      | -                                     |
| Other Revenues                                       | -   | -                                      | 25                                    |
| Total Revenues                                       | 347,647                                     | -                                      | 679                                   |
| <b>EXPENDITURES</b>                                  |   |  |                                       |
| Current:   |   |  |                                       |
| General Government                                   | 397,971                                     | -                                      | 8,353                                 |
| Alaska Permanent Fund Dividend                       | -   | -                                      | 1,203,234                             |
| Education  | 1,903,999                                   | -                                      | -                                     |
| University   | -   | -                                      | -                                     |
| Health and Human Services                            | -   | -                                      | 15,416                                |
| Law and Justice                                      | -   | -                                      | -                                     |
| Public Protection                                    | -   | -                                      | 6,803                                 |
| Natural Resources                                    | -   | -                                      | -                                     |
| Development  | -   | -                                      | -                                     |
| Transportation                                       | -   | -                                      | -                                     |
| Intergovernmental Revenue Sharing                    | -   | -                                      | -                                     |
| Debt Service:  |   |  |                                       |
| Principal  | -   | -                                      | -                                     |
| Interest and Other Charges                           | -   | -                                      | -                                     |
| Bond Issuance Costs                                  | -   | -                                      | -                                     |
| Total Expenditures                                   | 2,301,970                                   | -                                      | 1,233,806                             |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (1,954,323)                                 | -                                      | (1,233,127)                           |
| <b>OTHER FINANCING SOURCES (USES)</b>                |   |  |                                       |
| Bonds Issued   | -   | -                                      | -                                     |
| Bonds Issued Premium                                 | -   | -                                      | -                                     |
| Capital Leases                                       | -   | -                                      | -                                     |
| Transfers In from Other Funds                        | 3,000,000                                   | -                                      | 1,373,102                             |
| Transfers (Out to) Other Funds                       | (698,030)                                   | (2,503,080)                            | (1,503)                               |
| Total Other Financing Sources<br>and Uses            | 2,301,970                                   | (2,503,080)                            | 1,371,599                             |
| Net Change in Fund Balances                          | 347,647                                     | (2,503,080)                            | 138,472                               |
| Fund Balances - Beginning of Year                    | 12,806,157                                  | 2,791,054                              | 1,252,958                             |
| Prior Period Adjustment                              | -   | -                                      | -                                     |
| Fund Balances - End of Year                          | \$ 13,153,804                               | \$ 287,974                             | \$ 1,391,430                          |



STATEMENT 3.02

| Public<br>Education<br>Subfund | General<br>and all Other<br>Subfunds | Eliminations<br>of Internal<br>Balances | Total<br>General<br>Fund |
|--------------------------------|--------------------------------------|---|--------------------------|
| \$ -                           | \$ 422,518                           | \$ -                                    | \$ 491,736               |
| -                              | 130,090                              | -                                       | 130,090                  |
| 112                            | 198,729                              | -                                       | 199,316                  |
| -                              | 14,195                               | -                                       | 15,269                   |
| -                              | 1,105,150                            | -                                       | 1,106,060                |
| -                              | 20,638                               | -                                       | 20,638                   |
| -                              | 60,304                               | -                                       | 336,928                  |
| -                              | 2,512,735                            | -                                       | 2,512,735                |
| -                              | 14,106                               | -                                       | 14,106                   |
| -                              | 26,453                               | -                                       | 26,478                   |
| 112                            | 4,504,918                            | -                                       | 4,853,356                |
| -                              | 883,778                              | -                                       | 1,290,102                |
| -                              | -                                    | -                                       | 1,203,234                |
| 1,231,417                      | 594,185                              | -                                       | 3,729,601                |
| -                              | 650,616                              | -                                       | 650,616                  |
| -                              | 2,784,100                            | -                                       | 2,799,516                |
| -                              | 271,577                              | -                                       | 271,577                  |
| -                              | 786,765                              | -                                       | 793,568                  |
| -                              | 349,710                              | -                                       | 349,710                  |
| -                              | 385,764                              | -                                       | 385,764                  |
| -                              | 1,464,579                            | -                                       | 1,464,579                |
| -                              | 134,686                              | -                                       | 134,686                  |
| -                              | 36,161                               | -                                       | 36,161                   |
| -                              | 18,446                               | -                                       | 18,446                   |
| -                              | 426                                  | -                                       | 426                      |
| 1,231,417                      | 8,360,793                            | -                                       | 13,127,986               |
| (1,231,305)                    | (3,855,875)                          | -                                       | (8,274,630)              |
| -                              | 30,895                               | -                                       | 30,895                   |
| -                              | 4,532                                | -                                       | 4,532                    |
| -                              | 5,148                                | -                                       | 5,148                    |
| 177,448                        | 3,194,541                            | (6,344,300)                             | 1,400,791                |
| -                              | (3,301,755)                          | 6,344,300                               | (160,068)                |
| 177,448                        | (66,639)                             | -                                       | 1,281,298                |
| (1,053,857)                    | (3,922,514)                          | -                                       | (6,993,332)              |
| 1,189,492                      | 4,501,955                            | -                                       | 22,541,616               |
| -                              | 283,619                              | -                                       | 283,619                  |
| \$ 135,635                     | \$ 863,060                           | \$ -                                    | \$ 15,831,903            |



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# Nonmajor Governmental Funds

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STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 3.11

|  | Permanent Fund<br>Public<br>School Trust<br>Fund | Special<br>Revenue<br>Funds |
|--|--|-----------------------------|
| <b>ASSETS</b>  |  |                             |
| Cash and Investments                                   | \$ 587,359                                       | \$ 90,631                   |
| Accounts Receivable - Net                              | 563  | 1,939                       |
| Interest and Dividends Receivable                      | 6  | -                           |
| Due from Other Funds                                   | 420  | 35,735                      |
| Due from Component Units                               | -  | -                           |
| Due from Other Governments                             | -  | 5,520                       |
| Loans, Notes, and Bonds Receivable                     | 67   | -                           |
| Other Assets   | -  | 52,631                      |
| Total Assets   | <u>\$ 588,415</u>                                | <u>\$ 186,456</u>           |
| <b>LIABILITIES</b>                                     |  |                             |
| Accounts Payable and Accrued Liabilities               | \$ 13  | \$ 5,797                    |
| Due to Other Funds                                     | -  | 6,579                       |
| Unearned Revenue                                       | 133  | -                           |
| Interest Payable                                       | -  | -                           |
| Bond Anticipation Note Payable                         | -  | -                           |
| Other Liabilities                                      | 1  | 514                         |
| Total Liabilities                                      | <u>147</u>                                       | <u>12,890</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |  |                             |
| Unavailable Revenue                                    | -  | 427                         |
| Total Deferred Inflows of Resources                    | <u>-</u>   | <u>427</u>                  |
| <b>FUND BALANCES</b>                                   |  |                             |
| Nonspendable:  |  |                             |
| Principal  | 572,425  | -                           |
| Advances and Prepaid Items                             | -  | 52,596                      |
| Restricted for:  |  |                             |
| Debt Service   | -  | -                           |
| Education  | -  | 10,343                      |
| Health and Human Services                              | -  | 16,042                      |
| Development  | -  | 35,612                      |
| Other Purposes   | -  | 171                         |
| Committed to:  |  |                             |
| Education  | 15,843   | -                           |
| Development  | -  | 58,375                      |
| Unassigned   | -  | -                           |
| Total Fund Balances                                    | <u>588,268</u>                                   | <u>173,139</u>              |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 588,415</u>                                | <u>\$ 186,456</u>           |

STATEMENT 3.11

| Debt Service<br>Funds | Capital Projects<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|-----------------------|---------------------------|---|
| \$ 42,205             | \$ 135,488                | \$ 855,683                              |
| -                     | -                         | 2,502                                   |
| 3                     | 31                        | 40                                      |
| 884                   | 10,566                    | 47,605                                  |
| -                     | 763                       | 763                                     |
| -                     | -                         | 5,520                                   |
| -                     | -                         | 67                                      |
| -                     | -                         | 52,631                                  |
| <u>\$ 43,092</u>      | <u>\$ 146,848</u>         | <u>\$ 964,811</u>                       |
| \$ -                  | \$ 10,495                 | \$ 16,305                               |
| 2                     | 8,222                     | 14,803                                  |
| -                     | -                         | 133                                     |
| -                     | 2,099                     | 2,099                                   |
| -                     | 160,677                   | 160,677                                 |
| -                     | -                         | 515                                     |
| <u>2</u>              | <u>181,493</u>            | <u>194,532</u>                          |
| -                     | -                         | 427                                     |
| -                     | -                         | <u>427</u>                              |
| -                     | -                         | 572,425                                 |
| -                     | -                         | 52,596                                  |
| 43,090                | -                         | 43,090                                  |
| -                     | 50,955                    | 61,298                                  |
| -                     | -                         | 16,042                                  |
| -                     | 6,934                     | 42,546                                  |
| -                     | -                         | 171                                     |
| -                     | -                         | 15,843                                  |
| -                     | -                         | 58,375                                  |
| -                     | (92,534)                  | (92,534)                                |
| <u>43,090</u>         | <u>(34,645)</u>           | <u>769,852</u>                          |
| <u>\$ 43,092</u>      | <u>\$ 146,848</u>         | <u>\$ 964,811</u>                       |

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 3.12**

|  | Permanent Fund<br>Public<br>School Trust<br>Fund | Special<br>Revenue<br>Funds |
|--|--|-----------------------------|
| <b>REVENUES</b>                                      |  |                             |
| Taxes  | \$ -   | \$ 21,601                   |
| Licenses and Permits                                 | -  | 32,999                      |
| Charges for Services                                 | -  | 660                         |
| Fines and Forfeitures                                | 1  | 294                         |
| Rents and Royalties                                  | 8,068  | 3,153                       |
| Premiums and Contributions                           | -  | 6,803                       |
| Interest and Investment Income (Loss)                | 15,683   | 272                         |
| Federal Grants in Aid                                | -  | 31,517                      |
| Other Revenues                                       | -  | 369                         |
| Total Revenues                                       | <u>23,752</u>                                    | <u>97,668</u>               |
| <b>EXPENDITURES</b>                                  |  |                             |
| Current:   |  |                             |
| General Government                                   | 123  | 3,245                       |
| Education  | 12,000   | 19,344                      |
| University   | -  | -                           |
| Health and Human Services                            | -  | 4,428                       |
| Public Protection                                    | -  | 852                         |
| Natural Resources                                    | -  | 72,390                      |
| Development  | -  | 35,212                      |
| Transportation                                       | -  | -                           |
| Debt Service:  |  |                             |
| Principal  | -  | -                           |
| Interest and Other Charges                           | -  | -                           |
| Total Expenditures                                   | <u>12,123</u>                                    | <u>135,471</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>11,629</u>                                    | <u>(37,803)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                |  |                             |
| Refunding Bonds Issued                               | -  | -                           |
| Bonds Issued Premium                                 | -  | -                           |
| Payment to Refunded Bonds Escrow Agent               | -  | -                           |
| Transfers In from Other Funds                        | 58   | 45,050                      |
| Transfers (Out to) Other Funds                       | -  | (8,913)                     |
| Total Other Financing Sources<br>and Uses            | <u>58</u>  | <u>36,137</u>               |
| Net Change in Fund Balances                          | 11,687   | (1,666)                     |
| Fund Balances - Beginning of Year                    | 574,678  | 174,805                     |
| Prior Period Adjustment                              | 1,903  | -                           |
| Fund Balances - End of Year                          | <u>\$ 588,268</u>                                | <u>\$ 173,139</u>           |

STATEMENT 3.12

| Debt Service<br>Funds | Capital Projects<br>Funds | Total Nonmajor<br>Governmental<br>Funds |
|-----------------------|---------------------------|---|
| \$ -                  | \$ -                      | \$ 21,601                               |
| -                     | -                         | 32,999                                  |
| -                     | -                         | 660                                     |
| -                     | -                         | 295                                     |
| -                     | -                         | 11,221                                  |
| -                     | -                         | 6,803                                   |
| 50                    | 530                       | 16,535                                  |
| -                     | -                         | 31,517                                  |
| 23,340                | -                         | 23,709                                  |
| <u>23,390</u>         | <u>530</u>                | <u>145,340</u>                          |
| -                     | -                         | 3,368                                   |
| -                     | 9,299                     | 40,643                                  |
| -                     | 2,927                     | 2,927                                   |
| -                     | -                         | 4,428                                   |
| -                     | -                         | 852                                     |
| -                     | 91                        | 72,481                                  |
| -                     | 881                       | 36,093                                  |
| -                     | 83,648                    | 83,648                                  |
| 48,965                | -                         | 48,965                                  |
| 48,408                | 301                       | 48,709                                  |
| <u>97,373</u>         | <u>97,147</u>             | <u>342,114</u>                          |
| <u>(73,983)</u>       | <u>(96,617)</u>           | <u>(196,774)</u>                        |
| 94,425                | -                         | 94,425                                  |
| 22,186                | -                         | 22,186                                  |
| (116,296)             | -                         | (116,296)                               |
| 73,989                | 10,000                    | 129,097                                 |
| <u>(79)</u>           | <u>(216)</u>              | <u>(9,208)</u>                          |
| 74,225                | 9,784                     | 120,204                                 |
| 242                   | (86,833)                  | (76,570)                                |
| 42,848                | 52,188                    | 844,519                                 |
| -                     | -                         | 1,903                                   |
| <u>\$ 43,090</u>      | <u>\$ (34,645)</u>        | <u>\$ 769,852</u>                       |



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# Permanent Funds

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

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



## STATE OF ALASKA

## STATEMENT 3.23

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

## Permanent Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|  | Public School Trust |                   |                      |
|--|---------------------|-------------------|----------------------|
|  | Budget              | Actual            | Variance with Budget |
| <b>REVENUES</b>  |                     |                   |                      |
| Unrestricted:  |                     |                   |                      |
| Fines and Forfeitures  | \$ 1                | \$ 1              | \$ -                 |
| Rents and Royalties  | 8,068               | 8,068             | -                    |
| Interest and Investment Income (Loss)  | 15,683              | 15,683            | -                    |
| Total Revenues   | <u>23,752</u>       | <u>23,752</u>     | <u>-</u>             |
| <b>EXPENDITURES</b>  |                     |                   |                      |
| Current:   |                     |                   |                      |
| General Government   | 123                 | 123               | -                    |
| Education  | 12,000              | 12,000            | -                    |
| Law and Justice  | -                   | -                 | -                    |
| Natural Resources  | -                   | -                 | -                    |
| Total Expenditures   | <u>12,123</u>       | <u>12,123</u>     | <u>-</u>             |
| Excess (Deficiency) of Revenues Over Expenditures  | <u>11,629</u>       | <u>11,629</u>     | <u>-</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                     |                   |                      |
| Transfers In from Other Funds  | 58                  | 58                | -                    |
| Transfers (Out to) Other Funds   | -                   | -                 | -                    |
| Total Other Financing Sources and Uses   | <u>58</u>           | <u>58</u>         | <u>-</u>             |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis | <u>\$ 11,687</u>    | 11,687            | <u>\$ -</u>          |
| <b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>   |                     |                   |                      |
| Adjust Expenditures for Encumbrances   |                     | -                 |                      |
| Basis Difference   |                     | <u>-</u>          |                      |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis      |                     | 11,687            |                      |
| Fund Balances - Beginning of Year  |                     | 574,678           |                      |
| Prior Period Adjustment  |                     | 1,903             |                      |
| Fund Balances - End of Year  |                     | <u>\$ 588,268</u> |                      |

## STATEMENT 3.23

| Alaska Permanent |             |                      | Total Permanent Funds |             |                      |
|------------------|-------------|----------------------|-----------------------|-------------|----------------------|
| Budget           | Actual      | Variance with Budget | Budget                | Actual      | Variance with Budget |
| \$ -             | \$ -        | \$ -                 | \$ 1                  | \$ 1        | \$ -                 |
| 597,088          | 597,088     | -                    | 605,156               | 605,156     | -                    |
| 2,494,453        | 2,494,453   | -                    | 2,510,136             | 2,510,136   | -                    |
| 3,091,541        | 3,091,541   | -                    | 3,115,293             | 3,115,293   | -                    |
| 150,899          | 106,043     | 44,856               | 151,022               | 106,166     | 44,856               |
| -                | -           | -                    | 12,000                | 12,000      | -                    |
| 2,578            | 2,578       | -                    | 2,578                 | 2,578       | -                    |
| 5,797            | 5,797       | -                    | 5,797                 | 5,797       | -                    |
| 159,274          | 114,418     | 44,856               | 171,397               | 126,541     | 44,856               |
| 2,932,267        | 2,977,123   | (44,856)             | 2,943,896             | 2,988,752   | (44,856)             |
| 2,881            | 2,881       | -                    | 2,939                 | 2,939       | -                    |
| (1,397,145)      | (1,397,145) | -                    | (1,397,145)           | (1,397,145) | -                    |
| (1,394,264)      | (1,394,264) | -                    | (1,394,206)           | (1,394,206) | -                    |
| \$ 1,538,003     | 1,582,859   | \$ (44,856)          | \$ 1,549,690          | 1,594,546   | \$ (44,856)          |
|                  | 257         |                      |                       | 257         |                      |
|                  | 3,670       |                      |                       | 3,670       |                      |
|                  | 1,586,786   |                      |                       | 1,598,473   |                      |
|                  | 51,213,713  |                      |                       | 51,788,391  |                      |
|                  | -           |                      |                       | 1,903       |                      |
| \$ 52,800,499    |             |                      | \$ 53,388,767         |             |                      |



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# Nonmajor Special Revenue Funds

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

- **Alaska Housing Capital Corporation (AHCC) (Fund 34076)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to fund capital projects, including financing expenses. AHCC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Alyeska Settlement Trust Fund (Fund 12138)** – Consent Decree between the United States, the State of Alaska, and Alyeska Pipeline Service Company – Administered by the Department of Revenue. The fund was created for the purpose of receiving, holding, and disbursing settlement proceeds from Alyeska under the Consent Decree. The funds are to be used to clean up oil spills and for other projects specified in the Consent Decree.
- **Clean Air Protection Fund (Fund 12133)** – AS 46.14.260 and Federal Clean Air Act – Administered by the Department of Environmental Conservation. The fund was established to collect and account for permit fees under the Federal Clean Air Act. Monies collected may only be used to cover reasonable costs required to support the permit program.
- **Exxon Valdez Oil Spill Restoration Fund (Fund 12136)** – United States District Court judgement in the criminal case U.S. v. Exxon Shipping Company and Exxon Corporation resulted in \$50 million restitution being received by the State to be used exclusively for restoration projects related to the Exxon Valdez oil spill. Administered by the Department of Revenue.
- **Exxon Valdez Settlement Trust Fund (Fund 12160)** – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish and Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the State for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.
- **Fish and Game Fund (Fund 12122)** – AS 16.05.100 – Administered by the Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of the Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game 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 11119)** – AS 23.35.060 – Administered by the Department of Labor and Workforce Development. This fund is composed of 39 percent of the money derived by the State from all commercial fishermen's licenses and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of injured or disabled commercial fishermen.
- **Mine Reclamation Trust Fund (Fund 12140)** – AS 37.14.800 – Administered by the Department of Natural Resources. The principal and earnings of the fund shall be held by the State for the purpose of protecting the public interest in reclaiming mine sites in the State. The fund is composed of the mine reclamation trust fund income account and the mine reclamation trust fund operating account. The fund's income account consists of payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation under AS 27.19.040 or AS 27.21.160 and earnings on the income account. The mine reclamation trust fund operating account consists of appropriations by the legislature of the annual balance of the mine reclamation trust fund income account and any earnings on those appropriations while in the operating account.
- **National Petroleum Reserve (NPR) Fund (Fund 12131)** – AS 37.05.530 – The commissioner of the Department of Revenue is responsible for the management of the NPR fund. The Department of Commerce, Community and Economic Development administers the NPR grant program within the fund. This fund consists of all money disbursed to the State by the federal government under 42 USC 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 21664)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.
- **Reclamation Bonding Pool Fund (Fund 12132)** – AS 27.19.040 – Administered by the Department of Natural Resources. The fund is a statewide bonding pool for mining operations as an alternative to individual financial assurance. A miner participating in the bonding pool contributes a nonrefundable annual fee and an initial deposit that is refunded upon satisfactory completion of the approved reclamation plan. If a miner violates the reclamation plan, the financial assurance is forfeited and deposited in the fund. Income and other earnings on the bonding pool are also added to the fund. The reclamation and administrative costs and forfeited financial assurances are used for reclamation of the mining sites subject to forfeiture.
- **School Fund (Fund 12123)** – AS 43.50.140 – Administered by the Department of Revenue and the Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the State's school facilities, and for costs of insurance on buildings comprising school facilities.
- **Second Injury Fund (Fund 11117)** – AS 23.30.040 – Administered by the Department of Labor and Workforce Development. The fund consists of contributions from employers collected under AS 23.30.040(b) and (c), and civil penalties collected under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under AS 23.30.





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STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 3.31

|  | Second<br>Injury | Fishermen's      | Fish and<br>Game | School           | National<br>Petroleum<br>Reserve | Reclamation<br>Bonding Pool |
|--|------------------|------------------|------------------|------------------|----------------------------------|-----------------------------|
| <b>ASSETS</b>  |                  |                  |                  |                  |                                  |                             |
| Cash and Investments                                   | \$ 4,903         | \$ 11,383        | \$ 16,807        | \$ 8,747         | \$ 18,510                        | \$ 2,352                    |
| Accounts Receivable - Net                              | -                | -                | 160              | 1,741            | -                                | -                           |
| Due from Other Funds                                   | 2                | 302              | 869              | 145              | 26                               | -                           |
| Due from Other Governments                             | -                | -                | 5,520            | -                | -                                | -                           |
| Other Assets   | -                | -                | 35               | -                | -                                | -                           |
| Total Assets   | <u>\$ 4,905</u>  | <u>\$ 11,685</u> | <u>\$ 23,391</u> | <u>\$ 10,633</u> | <u>\$ 18,536</u>                 | <u>\$ 2,352</u>             |
| <b>LIABILITIES</b>                                     |                  |                  |                  |                  |                                  |                             |
| Accounts Payable and Accrued Liabilities               | \$ 367           | \$ 12            | \$ 1,414         | \$ 145           | \$ 3,771                         | \$ -                        |
| Due to Other Funds                                     | 169              | -                | 5,478            | 145              | 26                               | -                           |
| Other Liabilities                                      | -                | -                | -                | -                | -                                | 514                         |
| Total Liabilities                                      | <u>536</u>       | <u>12</u>        | <u>6,892</u>     | <u>290</u>       | <u>3,797</u>                     | <u>514</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                  |                  |                  |                  |                                  |                             |
| Unavailable Revenue                                    | -                | -                | 427              | -                | -                                | -                           |
| Total Deferred Inflows of Resources                    | <u>-</u>         | <u>-</u>         | <u>427</u>       | <u>-</u>         | <u>-</u>                         | <u>-</u>                    |
| <b>FUND BALANCES</b>                                   |                  |                  |                  |                  |                                  |                             |
| Nonspendable:  |                  |                  |                  |                  |                                  |                             |
| Advances and Prepaid Items                             | -                | -                | -                | -                | -                                | -                           |
| Restricted for:  |                  |                  |                  |                  |                                  |                             |
| Education  | -                | -                | -                | 10,343           | -                                | -                           |
| Health and Human Services                              | 4,369            | 11,673           | -                | -                | -                                | -                           |
| Development  | -                | -                | 16,072           | -                | -                                | 1,838                       |
| Other Purposes   | -                | -                | -                | -                | -                                | -                           |
| Committed to:  |                  |                  |                  |                  |                                  |                             |
| Development  | -                | -                | -                | -                | 14,739                           | -                           |
| Total Fund Balances                                    | <u>4,369</u>     | <u>11,673</u>    | <u>16,072</u>    | <u>10,343</u>    | <u>14,739</u>                    | <u>1,838</u>                |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 4,905</u>  | <u>\$ 11,685</u> | <u>\$ 23,391</u> | <u>\$ 10,633</u> | <u>\$ 18,536</u>                 | <u>\$ 2,352</u>             |



## STATEMENT 3.31

| Clean Air<br>Protection | Exxon Valdez<br>Oil Spill<br>Restoration | Alyeska<br>Settlement<br>Trust | Exxon Valdez<br>Settlement<br>Trust | Northern<br>Tobacco<br>Securitization<br>Corporation | Mine<br>Reclamation<br>Trust | Alaska<br>Housing<br>Capital<br>Corporation | Total Nonmajor<br>Special<br>Revenue<br>Funds |
|-------------------------|--|--------------------------------|-------------------------------------|--|------------------------------|---|---|
| \$ 2,199                | \$ 3,949                                 | \$ 7,831                       | \$ 3,540                            | \$ 171   | \$ 984                       | \$ 9,255                                    | \$ 90,631                                     |
| 38                      | -  | -                              | -                                   | -  | -                            | -   | 1,939   |
| -                       | -  | -                              | 10                                  | -  | -                            | 34,381                                      | 35,735  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 5,520   |
| -                       | -  | -                              | -                                   | -  | -                            | 52,596                                      | 52,631  |
| <u>\$ 2,237</u>         | <u>\$ 3,949</u>                          | <u>\$ 7,831</u>                | <u>\$ 3,550</u>                     | <u>\$ 171</u>  | <u>\$ 984</u>                | <u>\$ 96,232</u>                            | <u>\$ 186,456</u>                             |
| \$ -                    | \$ -                                     | \$ -                           | \$ 88                               | \$ -   | \$ -                         | \$ -  | \$ 5,797                                      |
| 640                     | -  | -                              | 121                                 | -  | -                            | -   | 6,579   |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 514   |
| <u>640</u>              | <u>-</u>                                 | <u>-</u>                       | <u>209</u>                          | <u>-</u>   | <u>-</u>                     | <u>-</u>                                    | <u>12,890</u>                                 |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 427   |
| <u>-</u>                | <u>-</u>                                 | <u>-</u>                       | <u>-</u>                            | <u>-</u>   | <u>-</u>                     | <u>-</u>                                    | <u>427</u>                                    |
| -                       | -  | -                              | -                                   | -  | -                            | 52,596                                      | 52,596  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 10,343  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 16,042  |
| 1,597                   | 3,949                                    | 7,831                          | 3,341                               | -  | 984                          | -   | 35,612  |
| -                       | -  | -                              | -                                   | 171  | -                            | -   | 171   |
| -                       | -  | -                              | -                                   | -  | -                            | 43,636                                      | 58,375  |
| <u>1,597</u>            | <u>3,949</u>                             | <u>7,831</u>                   | <u>3,341</u>                        | <u>171</u>   | <u>984</u>                   | <u>96,232</u>                               | <u>173,139</u>                                |
| <u>\$ 2,237</u>         | <u>\$ 3,949</u>                          | <u>\$ 7,831</u>                | <u>\$ 3,550</u>                     | <u>\$ 171</u>  | <u>\$ 984</u>                | <u>\$ 96,232</u>                            | <u>\$ 186,456</u>                             |

## STATE OF ALASKA

## STATEMENT 3.32

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|  | Second<br>Injury | Fishermen's      | Fish and<br>Game | School           | National<br>Petroleum<br>Reserve | Reclamation<br>Bonding Pool |
|--|------------------|------------------|------------------|------------------|----------------------------------|-----------------------------|
| <b>REVENUES</b>                                      |                  |                  |                  |                  |                                  |                             |
| Taxes  | \$ -             | \$ -             | \$ -             | \$ 21,601        | \$ -                             | \$ -                        |
| Licenses and Permits                                 | -                | 794              | 28,021           | -                | -                                | -                           |
| Charges for Services                                 | -                | -                | 592              | -                | -                                | 68                          |
| Fines and Forfeitures                                | -                | -                | 294              | -                | -                                | -                           |
| Rents and Royalties                                  | -                | -                | -                | -                | 3,153                            | -                           |
| Premiums and Contributions                           | 3,272            | -                | 2                | -                | -                                | -                           |
| Interest and Investment Income (Loss)                | -                | -                | 82               | -                | -                                | 10                          |
| Federal Grants in Aid                                | -                | -                | 31,517           | -                | -                                | -                           |
| Other Revenues                                       | 3                | 361              | 5                | -                | -                                | -                           |
| Total Revenues                                       | <u>3,275</u>     | <u>1,155</u>     | <u>60,513</u>    | <u>21,601</u>    | <u>3,153</u>                     | <u>78</u>                   |
| <b>EXPENDITURES</b>                                  |                  |                  |                  |                  |                                  |                             |
| Current:   |                  |                  |                  |                  |                                  |                             |
| General Government                                   | -                | -                | -                | -                | 2,999                            | -                           |
| Education  | -                | -                | -                | 19,300           | 44                               | -                           |
| Health and Human Services                            | 3,242            | 1,118            | -                | -                | 68                               | -                           |
| Public Protection                                    | -                | -                | -                | -                | 852                              | -                           |
| Natural Resources                                    | -                | -                | 63,724           | -                | 488                              | -                           |
| Development  | -                | -                | -                | -                | 6,475                            | -                           |
| Total Expenditures                                   | <u>3,242</u>     | <u>1,118</u>     | <u>63,724</u>    | <u>19,300</u>    | <u>10,926</u>                    | <u>-</u>                    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>33</u>        | <u>37</u>        | <u>(3,211)</u>   | <u>2,301</u>     | <u>(7,773)</u>                   | <u>78</u>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                  |                  |                  |                                  |                             |
| Transfers In from Other Funds                        | -                | -                | 10,590           | -                | -                                | -                           |
| Transfers (Out to) Other Funds                       | -                | -                | (5,974)          | -                | (2,939)                          | -                           |
| Total Other Financing Sources<br>and Uses            | <u>-</u>         | <u>-</u>         | <u>4,616</u>     | <u>-</u>         | <u>(2,939)</u>                   | <u>-</u>                    |
| Net Change in Fund Balances                          | <u>33</u>        | <u>37</u>        | <u>1,405</u>     | <u>2,301</u>     | <u>(10,712)</u>                  | <u>78</u>                   |
| Fund Balances - Beginning of Year                    | <u>4,336</u>     | <u>11,636</u>    | <u>14,667</u>    | <u>8,042</u>     | <u>25,451</u>                    | <u>1,760</u>                |
| Fund Balances - End of Year                          | <u>\$ 4,369</u>  | <u>\$ 11,673</u> | <u>\$ 16,072</u> | <u>\$ 10,343</u> | <u>\$ 14,739</u>                 | <u>\$ 1,838</u>             |

## STATEMENT 3.32

| Clean Air<br>Protection | Exxon Valdez<br>Oil Spill<br>Restoration | Alyeska<br>Settlement<br>Trust | Exxon Valdez<br>Settlement<br>Trust | Northern<br>Tobacco<br>Securitization<br>Corporation | Mine<br>Reclamation<br>Trust | Alaska<br>Housing<br>Capital<br>Corporation | Total Nonmajor<br>Special<br>Revenue<br>Funds |
|-------------------------|--|--------------------------------|-------------------------------------|--|------------------------------|---|---|
| \$ -                    | \$ -                                     | \$ -                           | \$ -                                | \$ -   | \$ -                         | \$ -  | \$ 21,601                                     |
| 4,184                   | -  | -                              | -                                   | -  | -                            | -   | 32,999  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 660   |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 294   |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 3,153   |
| -                       | -  | -                              | 3,529                               | -  | -                            | -   | 6,803   |
| -                       | 17                                       | 35                             | 24                                  | -  | 8                            | 96  | 272   |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 31,517  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 369   |
| <u>4,184</u>            | <u>17</u>                                | <u>35</u>                      | <u>3,553</u>                        | <u>-</u>   | <u>8</u>                     | <u>96</u>                                   | <u>97,668</u>                                 |
| 172                     | -  | -                              | -                                   | 74   | -                            | -   | 3,245   |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 19,344  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 4,428   |
| -                       | -  | -                              | -                                   | -  | -                            | -   | 852   |
| 3,196                   | -  | -                              | 4,978                               | -  | 4                            | -   | 72,390  |
| -                       | -  | -                              | -                                   | -  | -                            | 28,737                                      | 35,212  |
| <u>3,368</u>            | <u>-</u>                                 | <u>-</u>                       | <u>4,978</u>                        | <u>74</u>  | <u>4</u>                     | <u>28,737</u>                               | <u>135,471</u>                                |
| 816                     | 17                                       | 35                             | (1,425)                             | (74)   | 4                            | (28,641)                                    | (37,803)                                      |
| -                       | -  | -                              | -                                   | 79   | -                            | 34,381                                      | 45,050  |
| -                       | -  | -                              | -                                   | -  | -                            | -   | (8,913)                                       |
| -                       | -  | -                              | -                                   | 79   | -                            | 34,381                                      | 36,137  |
| 816                     | 17                                       | 35                             | (1,425)                             | 5  | 4                            | 5,740                                       | (1,666)                                       |
| 781                     | 3,932                                    | 7,796                          | 4,766                               | 166  | 980                          | 90,492                                      | 174,805                                       |
| <u>\$ 1,597</u>         | <u>\$ 3,949</u>                          | <u>\$ 7,831</u>                | <u>\$ 3,341</u>                     | <u>\$ 171</u>  | <u>\$ 984</u>                | <u>\$ 96,232</u>                            | <u>\$ 173,139</u>                             |

## STATE OF ALASKA

## STATEMENT 3.33

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

|  | Second Injury |                 |                      |
|--|---------------|-----------------|----------------------|
|  | Budget        | Actual          | Variance with Budget |
| <b>REVENUES</b>  |               |                 |                      |
| Unrestricted:  |               |                 |                      |
| Taxes  | \$ -          | \$ -            | \$ -                 |
| Licenses and Permits   | -             | -               | -                    |
| Charges for Services   | -             | -               | -                    |
| Fines and Forfeitures  | -             | -               | -                    |
| Rents and Royalties  | -             | -               | -                    |
| Premiums and Contributions   | -             | 3,272           | (3,272)              |
| Interest and Investment Income (Loss)  | -             | -               | -                    |
| Other Revenues   | 4,008         | 3               | 4,005                |
| Restricted:  |               |                 |                      |
| Federal Grants in Aid  | -             | -               | -                    |
| Total Revenues   | <u>4,008</u>  | <u>3,275</u>    | <u>733</u>           |
| <b>EXPENDITURES</b>  |               |                 |                      |
| Current:   |               |                 |                      |
| General Government   | -             | -               | -                    |
| Education  | -             | -               | -                    |
| Health and Human Services  | 4,008         | 3,242           | 766                  |
| Law and Justice  | -             | -               | -                    |
| Public Protection  | -             | -               | -                    |
| Natural Resources  | -             | -               | -                    |
| Development  | -             | -               | -                    |
| Transportation   | -             | -               | -                    |
| Total Expenditures   | <u>4,008</u>  | <u>3,242</u>    | <u>766</u>           |
| Excess (Deficiency) of Revenues Over Expenditures  | -             | 33              | (33)                 |
| <b>OTHER FINANCING SOURCES (USES)</b>  |               |                 |                      |
| 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>\$ -</u>   | <u>33</u>       | <u>\$ (33)</u>       |
| <b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>   |               |                 |                      |
| Adjust Expenditures for Encumbrances   |               | -               |                      |
| Basis Difference   |               | -               |                      |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis      |               | 33              |                      |
| Fund Balances - Beginning of Year  |               | 4,336           |                      |
| Fund Balances - End of Year  |               | <u>\$ 4,369</u> |                      |

## STATEMENT 3.33

| Fishermen's      |               |                      | Fish and Game     |                |                      |
|------------------|---------------|----------------------|-------------------|----------------|----------------------|
| Budget           | Actual        | Variance with Budget | Budget            | Actual         | Variance with Budget |
| \$ -             | \$ -          | \$ -                 | \$ -              | \$ -           | \$ -                 |
| -                | 794           | (794)                | -                 | 28,021         | (28,021)             |
| -                | -             | -                    | 71                | 592            | (521)                |
| -                | -             | -                    | -                 | 294            | (294)                |
| -                | -             | -                    | -                 | -              | -                    |
| -                | -             | -                    | -                 | 2              | (2)                  |
| -                | -             | -                    | -                 | 82             | (82)                 |
| 1,652            | 361           | 1,291                | 24,687            | 5              | 24,682               |
| -                | -             | -                    | 37,730            | 31,517         | 6,213                |
| <u>1,652</u>     | <u>1,155</u>  | <u>497</u>           | <u>62,488</u>     | <u>60,513</u>  | <u>1,975</u>         |
| -                | -             | -                    | -                 | -              | -                    |
| -                | -             | -                    | -                 | -              | -                    |
| 1,652            | 1,118         | 534                  | -                 | -              | -                    |
| -                | -             | -                    | -                 | -              | -                    |
| -                | -             | -                    | 200               | -              | 200                  |
| -                | -             | -                    | 75,273            | 68,811         | 6,462                |
| -                | -             | -                    | -                 | -              | -                    |
| -                | -             | -                    | -                 | -              | -                    |
| <u>1,652</u>     | <u>1,118</u>  | <u>534</u>           | <u>75,473</u>     | <u>68,811</u>  | <u>6,662</u>         |
| -                | 37            | (37)                 | (12,985)          | (8,298)        | (4,687)              |
| -                | -             | -                    | 10,590            | 10,590         | -                    |
| -                | -             | -                    | (5,974)           | (5,974)        | -                    |
| -                | -             | -                    | 4,616             | 4,616          | -                    |
| <u>\$ -</u>      | <u>37</u>     | <u>\$ (37)</u>       | <u>\$ (8,369)</u> | <u>(3,682)</u> | <u>\$ (4,687)</u>    |
| -                | -             | -                    | -                 | 5,087          | -                    |
| -                | -             | -                    | -                 | -              | -                    |
| -                | 37            | -                    | -                 | 1,405          | -                    |
| -                | 11,636        | -                    | -                 | 14,667         | -                    |
| <u>\$ 11,673</u> | <u>11,673</u> | -                    | <u>\$ 16,072</u>  | <u>16,072</u>  | -                    |

This statement continued on the next page.

## STATE OF ALASKA

## STATEMENT 3.33

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|   | School        |                  | Variance with     |
|---|---------------|------------------|-------------------|
|   | Budget        | Actual           | Budget            |
| <b>REVENUES</b>                               |               |                  |                   |
| Unrestricted:                                 |               |                  |                   |
| Taxes   | \$ 19,300     | \$ 21,601        | \$ (2,301)        |
| Licenses and Permits                          | -             | -                | -                 |
| Charges for Services                          | -             | -                | -                 |
| Fines and Forfeitures                         | -             | -                | -                 |
| Rents and Royalties                           | -             | -                | -                 |
| Premiums and Contributions                    | -             | -                | -                 |
| Interest and Investment Income (Loss)         | -             | -                | -                 |
| Other Revenues                                | -             | -                | -                 |
| Restricted:                                   |               |                  |                   |
| Federal Grants in Aid                         | -             | -                | -                 |
| Total Revenues                                | <u>19,300</u> | <u>21,601</u>    | <u>(2,301)</u>    |
| <b>EXPENDITURES</b>                           |               |                  |                   |
| Current:                                      |               |                  |                   |
| General Government                            | -             | -                | -                 |
| Education                                     | 19,300        | 19,300           | -                 |
| Health and Human Services                     | -             | -                | -                 |
| Law and Justice                               | -             | -                | -                 |
| Public Protection                             | -             | -                | -                 |
| Natural Resources                             | -             | -                | -                 |
| Development                                   | -             | -                | -                 |
| Transportation                                | -             | -                | -                 |
| Total Expenditures                            | <u>19,300</u> | <u>19,300</u>    | <u>-</u>          |
| Excess (Deficiency) of Revenues               |               |                  |                   |
| Over Expenditures                             | <u>-</u>      | <u>2,301</u>     | <u>(2,301)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>         |               |                  |                   |
| Transfers In from Other Funds                 | -             | -                | -                 |
| Transfers (Out to) Other Funds                | -             | -                | -                 |
| Total Other Financing Sources                 | <u>-</u>      | <u>-</u>         | <u>-</u>          |
| and Uses                                      | <u>-</u>      | <u>-</u>         | <u>-</u>          |
| Excess (Deficiency) of Revenues, Over (Under) |               |                  |                   |
| Expenditures, Other Financing Sources (Uses), |               |                  |                   |
| Special and Extraordinary Items,              |               |                  |                   |
| Budgetary Basis                               | <u>\$ -</u>   | <u>2,301</u>     | <u>\$ (2,301)</u> |
| <b>RECONCILIATION OF BUDGETARY/</b>           |               |                  |                   |
| <b>GAAP REPORTING</b>                         |               |                  |                   |
| Adjust Expenditures for Encumbrances          |               | -                |                   |
| Basis Difference                              |               | <u>-</u>         |                   |
| Excess (Deficiency) of Revenues, Over (Under) |               |                  |                   |
| Expenditures, Other Financing Sources (Uses), |               |                  |                   |
| Special and Extraordinary Items,              |               |                  |                   |
| GAAP Basis                                    |               | 2,301            |                   |
| Fund Balances - Beginning of Year             |               | 8,042            |                   |
| Fund Balances - End of Year                   |               | <u>\$ 10,343</u> |                   |

## STATEMENT 3.33

| National Petroleum Reserve |          |                      | Clean Air Protection |        |                      |
|----------------------------|----------|----------------------|----------------------|--------|----------------------|
| Budget                     | Actual   | Variance with Budget | Budget               | Actual | Variance with Budget |
| \$ -                       | \$ -     | \$ -                 | \$ -                 | \$ -   | \$ -                 |
| -                          | -        | -                    | 4,184                | 4,184  | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| 4,006                      | 3,153    | 853                  | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| 4,006                      | 3,153    | 853                  | 4,184                | 4,184  | -                    |
| 216                        | 216      | -                    | 172                  | 172    | -                    |
| 105                        | 45       | 60                   | -                    | -      | -                    |
| 171                        | 68       | 103                  | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| 1,261                      | 942      | 319                  | -                    | -      | -                    |
| 549                        | 307      | 242                  | 3,196                | 3,196  | -                    |
| 26,693                     | 24,552   | 2,141                | -                    | -      | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| 28,995                     | 26,130   | 2,865                | 3,368                | 3,368  | -                    |
| (24,989)                   | (22,977) | (2,012)              | 816                  | 816    | -                    |
| -                          | -        | -                    | -                    | -      | -                    |
| (2,939)                    | (2,939)  | -                    | -                    | -      | -                    |
| (2,939)                    | (2,939)  | -                    | -                    | -      | -                    |
| \$ (27,928)                | (25,916) | \$ (2,012)           | \$ 816               | 816    | \$ -                 |
|                            | 15,204   |                      |                      | -      |                      |
|                            | -        |                      |                      | -      |                      |
|                            | (10,712) |                      |                      | 816    |                      |
|                            | 25,451   |                      |                      | 781    |                      |
| \$ 14,739                  |          |                      | \$ 1,597             |        |                      |

This statement continued on the next page.

## STATE OF ALASKA

## STATEMENT 3.33

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

|  | Exxon Valdez Oil Spill Restoration |                 |                      |
|--|------------------------------------|-----------------|----------------------|
|  | Budget                             | Actual          | Variance with Budget |
| <b>REVENUES</b>  |                                    |                 |                      |
| Unrestricted:  |                                    |                 |                      |
| Taxes  | \$ -                               | \$ -            | \$ -                 |
| Licenses and Permits   | -                                  | -               | -                    |
| Charges for Services   | -                                  | -               | -                    |
| Fines and Forfeitures  | -                                  | -               | -                    |
| Rents and Royalties  | -                                  | -               | -                    |
| Premiums and Contributions   | -                                  | -               | -                    |
| Interest and Investment Income (Loss)  | 17                                 | 17              | -                    |
| Other Revenues   | -                                  | -               | -                    |
| Restricted:  |                                    |                 |                      |
| Federal Grants in Aid  | -                                  | -               | -                    |
| Total Revenues   | <u>17</u>                          | <u>17</u>       | <u>-</u>             |
| <b>EXPENDITURES</b>  |                                    |                 |                      |
| Current:   |                                    |                 |                      |
| General Government   | -                                  | -               | -                    |
| Education  | -                                  | -               | -                    |
| Health and Human Services  | -                                  | -               | -                    |
| Law and Justice  | 400                                | -               | 400                  |
| Public Protection  | -                                  | -               | -                    |
| Natural Resources  | -                                  | -               | -                    |
| Development  | -                                  | -               | -                    |
| Transportation   | 2,653                              | 2,653           | -                    |
| Total Expenditures   | <u>3,053</u>                       | <u>2,653</u>    | <u>400</u>           |
| Excess (Deficiency) of Revenues Over Expenditures  | <u>(3,036)</u>                     | <u>(2,636)</u>  | <u>(400)</u>         |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                    |                 |                      |
| Transfers In from Other Funds  | -                                  | -               | -                    |
| Transfers (Out to) Other Funds   | -                                  | -               | -                    |
| Total Other Financing Sources and Uses   | <u>-</u>                           | <u>-</u>        | <u>-</u>             |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis | <u>\$ (3,036)</u>                  | <u>(2,636)</u>  | <u>\$ (400)</u>      |
| <b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>   |                                    |                 |                      |
| Adjust Expenditures for Encumbrances   |                                    | 2,653           |                      |
| Basis Difference   |                                    | <u>-</u>        |                      |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis      |                                    | 17              |                      |
| Fund Balances - Beginning of Year  |                                    | 3,932           |                      |
| Fund Balances - End of Year  |                                    | <u>\$ 3,949</u> |                      |



## STATEMENT 3.33

| Alyeska Settlement Trust |                |                      | Exxon Valdez Settlement Trust |                |                      |
|--------------------------|----------------|----------------------|-------------------------------|----------------|----------------------|
| Budget                   | Actual         | Variance with Budget | Budget                        | Actual         | Variance with Budget |
| \$ -                     | \$ -           | \$ -                 | \$ -                          | \$ -           | \$ -                 |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | 3,529          | (3,529)              |
| -                        | 35             | (35)                 | -                             | 24             | (24)                 |
| -                        | -              | -                    | 20,715                        | -              | 20,715               |
| -                        | -              | -                    | 583                           | -              | 583                  |
| -                        | 35             | (35)                 | 21,298                        | 3,553          | 17,745               |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | 23,692                        | 5,038          | 18,654               |
| -                        | -              | -                    | -                             | -              | -                    |
| 4,379                    | 4,347          | 32                   | -                             | -              | -                    |
| 4,379                    | 4,347          | 32                   | 23,692                        | 5,038          | 18,654               |
| (4,379)                  | (4,312)        | (67)                 | (2,394)                       | (1,485)        | (909)                |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| -                        | -              | -                    | -                             | -              | -                    |
| <u>\$ (4,379)</u>        | <u>(4,312)</u> | <u>\$ (67)</u>       | <u>\$ (2,394)</u>             | <u>(1,485)</u> | <u>\$ (909)</u>      |
|                          | 4,347          |                      |                               | 60             |                      |
|                          | -              |                      |                               | -              |                      |
|                          | 35             |                      |                               | (1,425)        |                      |
|                          | 7,796          |                      |                               | 4,766          |                      |
| <u>\$ 7,831</u>          |                |                      | <u>\$</u>                     | <u>3,341</u>   |                      |

This statement continued on the next page.

## STATE OF ALASKA

## STATEMENT 3.33

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|  | Mine Reclamation Trust |               |                      |
|--|------------------------|---------------|----------------------|
|  | Budget                 | Actual        | Variance with Budget |
| <b>REVENUES</b>  |                        |               |                      |
| Unrestricted:  |                        |               |                      |
| Taxes  | \$ -                   | \$ -          | \$ -                 |
| Licenses and Permits   | -                      | -             | -                    |
| Charges for Services   | -                      | -             | -                    |
| Fines and Forfeitures  | -                      | -             | -                    |
| Rents and Royalties  | -                      | -             | -                    |
| Premiums and Contributions   | -                      | -             | -                    |
| Interest and Investment Income (Loss)  | -                      | 8             | (8)                  |
| Other Revenues   | 8                      | -             | 8                    |
| Restricted:  |                        |               |                      |
| Federal Grants in Aid  | -                      | -             | -                    |
| Total Revenues   | <u>8</u>               | <u>8</u>      | <u>-</u>             |
| <b>EXPENDITURES</b>  |                        |               |                      |
| Current:   |                        |               |                      |
| General Government   | -                      | -             | -                    |
| Education  | -                      | -             | -                    |
| Health and Human Services  | -                      | -             | -                    |
| Law and Justice  | -                      | -             | -                    |
| Public Protection  | -                      | -             | -                    |
| Natural Resources  | 12                     | 4             | 8                    |
| Development  | -                      | -             | -                    |
| Transportation   | -                      | -             | -                    |
| Total Expenditures   | <u>12</u>              | <u>4</u>      | <u>8</u>             |
| Excess (Deficiency) of Revenues Over Expenditures  | <u>(4)</u>             | <u>4</u>      | <u>(8)</u>           |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                        |               |                      |
| Transfers In from Other Funds  | -                      | -             | -                    |
| Transfers (Out to) Other Funds   | -                      | -             | -                    |
| Total Other Financing Sources and Uses   | <u>-</u>               | <u>-</u>      | <u>-</u>             |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis | <u>\$ (4)</u>          | <u>4</u>      | <u>\$ (8)</u>        |
| <b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>   |                        |               |                      |
| Adjust Expenditures for Encumbrances   |                        | -             |                      |
| Basis Difference   |                        | <u>-</u>      |                      |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis      |                        | 4             |                      |
| Fund Balances - Beginning of Year  |                        | 980           |                      |
| Fund Balances - End of Year  |                        | <u>\$ 984</u> |                      |

STATEMENT 3.33

| Funds Not Annually Budgeted    |   |  |
|--------------------------------|---|--|
| Reclamation<br>Bonding<br>Pool | Northern Tobacco<br>Securitization<br>Corporation | Alaska Housing<br>Capital<br>Corporation |
| Actual                         | Actual  | Actual                                   |
| \$ -                           | \$ -  | \$ -                                     |
| -                              | -   | -  |
| 68                             | -   | -  |
| -                              | -   | -  |
| -                              | -   | -  |
| 10                             | -   | 96                                       |
| -                              | -   | -  |
| -                              | -   | -  |
| 78                             | -   | 96                                       |
| -                              | 74  | -  |
| -                              | -   | -  |
| -                              | -   | -  |
| -                              | -   | -  |
| -                              | -   | -  |
| -                              | -   | 28,737                                   |
| -                              | -   | -  |
| -                              | 74  | 28,737                                   |
| 78                             | (74)  | (28,641)                                 |
| -                              | 79  | 34,381                                   |
| -                              | -   | -  |
| -                              | 79  | 34,381                                   |
| 78                             | 5   | 5,740                                    |
| -                              | -   | -  |
| -                              | -   | -  |
| 78                             | 5   | 5,740                                    |
| 1,760                          | 166   | 90,492                                   |
| \$ 1,838                       | \$ 171  | \$ 96,232                                |

This statement continued on the next page.

## STATE OF ALASKA

## STATEMENT 3.33

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

## Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|  | Total Nonmajor Special Revenue Funds |                   |                      |
|--|--------------------------------------|-------------------|----------------------|
|  | Budget                               | Actual            | Variance with Budget |
| <b>REVENUES</b>  |                                      |                   |                      |
| Unrestricted:  |                                      |                   |                      |
| Taxes  | \$ 19,300                            | \$ 21,601         | \$ (2,301)           |
| Licenses and Permits   | 4,184                                | 32,999            | (28,815)             |
| Charges for Services   | 71                                   | 660               | (589)                |
| Fines and Forfeitures  | -                                    | 294               | (294)                |
| Rents and Royalties  | 4,006                                | 3,153             | 853                  |
| Premiums and Contributions   | -                                    | 6,803             | (6,803)              |
| Interest and Investment Income (Loss)  | 17                                   | 272               | (255)                |
| Other Revenues   | 51,070                               | 369               | 50,701               |
| Restricted:  |                                      |                   |                      |
| Federal Grants in Aid  | 38,313                               | 31,517            | 6,796                |
| Total Revenues   | <u>116,961</u>                       | <u>97,668</u>     | <u>19,293</u>        |
| <b>EXPENDITURES</b>  |                                      |                   |                      |
| Current:   |                                      |                   |                      |
| General Government   | 388                                  | 462               | (74)                 |
| Education  | 19,405                               | 19,345            | 60                   |
| Health and Human Services  | 5,831                                | 4,428             | 1,403                |
| Law and Justice  | 400                                  | -                 | 400                  |
| Public Protection  | 1,461                                | 942               | 519                  |
| Natural Resources  | 102,722                              | 77,356            | 25,366               |
| Development  | 26,693                               | 53,289            | (26,596)             |
| Transportation   | 7,032                                | 7,000             | 32                   |
| Total Expenditures   | <u>163,932</u>                       | <u>162,822</u>    | <u>1,110</u>         |
| Excess (Deficiency) of Revenues Over Expenditures  | <u>(46,971)</u>                      | <u>(65,154)</u>   | <u>18,183</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                      |                   |                      |
| Transfers In from Other Funds  | 10,590                               | 45,050            | (34,460)             |
| Transfers (Out to) Other Funds   | <u>(8,913)</u>                       | <u>(8,913)</u>    | <u>-</u>             |
| Total Other Financing Sources and Uses   | <u>1,677</u>                         | <u>36,137</u>     | <u>(34,460)</u>      |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis | <u>\$ (45,294)</u>                   | (29,017)          | <u>\$ (16,277)</u>   |
| <b>RECONCILIATION OF BUDGETARY/ GAAP REPORTING</b>   |                                      |                   |                      |
| Adjust Expenditures for Encumbrances Basis Difference  |                                      | 27,351            | -                    |
| Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis      |                                      | (1,666)           |                      |
| Fund Balances - Beginning of Year  |                                      | 174,805           |                      |
| Fund Balances - End of Year  |                                      | <u>\$ 173,139</u> |                      |

# Nonmajor Debt Service Funds

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

- **Alaska Fish and Game Revenue Bond Redemption Fund (Fund 14122)** – AS 37.15.770 – Accounts for accumulation of resources for, and the payment of, principal, interest, redemption premium, and related trustee fees on the Sport Fishing Revenue Bonds.
- **General Obligation Bond Redemption Fund (Fund 14050)** – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of general obligation bonds.
- **Northern Tobacco Securitization Corporation (NTSC) Bond Redemption Fund (Fund 14120)** – AS 18.56.086 – Accounts for accumulation of resources for, and the payment of, principal, interest, and related costs of revenue bonds issued by NTSC.



STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Debt Service Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 3.41

|                                     | General<br>Obligation<br>Bond Redemption | Northern<br>Tobacco<br>Securitization<br>Corporation | Alaska Fish and<br>Game Revenue<br>Bond Redemption | Total Nonmajor<br>Debt Service<br>Funds |
|-------------------------------------|--|--|--|---|
| <b>ASSETS</b>                       |  |  |  |   |
| Cash and Investments                | \$ 82                                    | \$ 35,818  | \$ 6,305   | \$ 42,205                               |
| Interest and Dividends Receivable   | -  | 3  | -  | 3                                       |
| Due from Other Funds                | -  | -  | 884  | 884                                     |
| Total Assets                        | <u>\$ 82</u>                             | <u>\$ 35,821</u>                                     | <u>\$ 7,189</u>                                    | <u>\$ 43,092</u>                        |
| <b>LIABILITIES</b>                  |  |  |  |   |
| Due to Other Funds                  | \$ -                                     | \$ -   | \$ 2   | \$ 2                                    |
| Total Liabilities                   | <u>-</u>                                 | <u>-</u>   | <u>2</u>   | <u>2</u>                                |
| <b>FUND BALANCES</b>                |  |  |  |   |
| Restricted for:                     |  |  |  |   |
| Debt Service                        | 82                                       | 35,821   | 7,187  | 43,090                                  |
| Total Fund Balances                 | <u>82</u>                                | <u>35,821</u>  | <u>7,187</u>                                       | <u>43,090</u>                           |
| Total Liabilities and Fund Balances | <u>\$ 82</u>                             | <u>\$ 35,821</u>                                     | <u>\$ 7,189</u>                                    | <u>\$ 43,092</u>                        |

**STATE OF ALASKA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Debt Service Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 3.42**

|  | General<br>Obligation<br>Bond Redemption | Northern<br>Tobacco<br>Securitization<br>Corporation | Alaska Fish and<br>Game Revenue<br>Bond Redemption | Total Nonmajor<br>Debt Service<br>Funds |
|--|--|--|--|---|
| <b>REVENUES</b>                                      |  |  |  |   |
| Interest and Investment Income (Loss)                | \$ 2                                     | \$ 46  | \$ 2   | \$ 50                                   |
| Other Revenues                                       | -  | 23,340   | -  | 23,340                                  |
| Total Revenues                                       | 2  | 23,386   | 2  | 23,390                                  |
| <b>EXPENDITURES</b>                                  |  |  |  |   |
| Debt Service:  |  |  |  |   |
| Principal  | 38,310                                   | 6,625  | 4,030  | 48,965                                  |
| Interest and Other Charges                           | 30,020                                   | 16,835   | 1,553  | 48,408                                  |
| Total Expenditures                                   | 68,330                                   | 23,460   | 5,583  | 97,373                                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (68,328)                                 | (74)   | (5,581)  | (73,983)                                |
| <b>OTHER FINANCING SOURCES (USES)</b>                |  |  |  |   |
| Refunding Bonds Issued                               | 94,425                                   | -  | -  | 94,425                                  |
| Bonds Issued Premium                                 | 22,186                                   | -  | -  | 22,186                                  |
| Payment to Refunded Bonds Escrow Agent               | (116,296)                                | -  | -  | (116,296)                               |
| Transfers In from Other Funds                        | 68,015                                   | -  | 5,974  | 73,989                                  |
| Transfers (Out to) Other Funds                       | -  | (79)   | -  | (79)                                    |
| Total Other Financing Sources<br>and Uses            | 68,330                                   | (79)   | 5,974  | 74,225                                  |
| Net Change in Fund Balances                          | 2  | (153)  | 393  | 242                                     |
| Fund Balances - Beginning of Year                    | 80                                       | 35,974   | 6,794  | 42,848                                  |
| Fund Balances - End of Year                          | \$ 82                                    | \$ 35,821  | \$ 7,187   | \$ 43,090                               |



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# Nonmajor Capital Projects Funds

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

- **2008 Transportation Project Fund (GO Bonds) (Fund 13113)** – Chapter 30, SLA 2008 – This fund consists of the proceeds from the sale of \$165,000,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.
- **2010 Education Project Fund (GO Bonds) (Fund 13225)** – Chapter 95, SLA 2010 – This fund consists of the proceeds from the sale of \$375,560,000 of general obligation bonds in 2010 and 2013, and is to be used for the purpose of paying the cost of state education projects.
- **2012 Transportation Project Fund (GO Bonds) (Fund 13325)** – Chapter 17, SLA 2012 – This fund consists of the proceeds from the sale of \$332,480,000 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.

STATE OF ALASKA  
Combining Balance Sheet  
Nonmajor Capital Projects Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 3.51

|  | 2008<br>Transportation<br>Projects | 2010<br>Education<br>Projects | 2012<br>Transportation<br>Projects | Total Nonmajor<br>Capital Projects<br>Funds |
|--|------------------------------------|-------------------------------|------------------------------------|---|
| <b>ASSETS</b>                            |                                    |                               |                                    |   |
| Cash and Investments                     | \$ 6,932                           | \$ 52,369                     | \$ 76,187                          | \$ 135,488                                  |
| Interest and Dividends Receivable        | 2                                  | 12                            | 17                                 | 31  |
| Due from Other Funds                     | -                                  | 565                           | 10,001                             | 10,566                                      |
| Due from Component Units                 | -                                  | 763                           | -                                  | 763   |
| Total Assets                             | <u>\$ 6,934</u>                    | <u>\$ 53,709</u>              | <u>\$ 86,205</u>                   | <u>\$ 146,848</u>                           |
| <b>LIABILITIES</b>                       |                                    |                               |                                    |   |
| Accounts Payable and Accrued Liabilities | \$ -                               | \$ 2,160                      | \$ 8,335                           | \$ 10,495                                   |
| Due to Other Funds                       | -                                  | 594                           | 7,628                              | 8,222                                       |
| Interest Payable                         | -                                  | -                             | 2,099                              | 2,099                                       |
| Bond Anticipation Note Payable           | -                                  | -                             | 160,677                            | 160,677                                     |
| Total Liabilities                        | <u>-</u>                           | <u>2,754</u>                  | <u>178,739</u>                     | <u>181,493</u>                              |
| <b>FUND BALANCES</b>                     |                                    |                               |                                    |   |
| Restricted for:                          |                                    |                               |                                    |   |
| Education                                | -                                  | 50,955                        | -                                  | 50,955                                      |
| Development                              | 6,934                              | -                             | -                                  | 6,934                                       |
| Unassigned                               | -                                  | -                             | (92,534)                           | (92,534)                                    |
| Total Fund Balances                      | <u>6,934</u>                       | <u>50,955</u>                 | <u>(92,534)</u>                    | <u>(34,645)</u>                             |
| Total Liabilities and Fund Balances      | <u>\$ 6,934</u>                    | <u>\$ 53,709</u>              | <u>\$ 86,205</u>                   | <u>\$ 146,848</u>                           |

STATE OF ALASKA  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Capital Projects Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 3.52

|  | 2008<br>Transportation<br>Projects | 2010<br>Education<br>Projects | 2012<br>Transportation<br>Projects | Total Nonmajor<br>Capital Projects<br>Funds |
|--|------------------------------------|-------------------------------|------------------------------------|---|
| <b>REVENUES</b>                                      |                                    |                               |                                    |   |
| Interest and Investment Income (Loss)                | \$ 23                              | \$ 168                        | \$ 339                             | \$ 530                                      |
| Total Revenues                                       | 23                                 | 168                           | 339                                | 530   |
| <b>EXPENDITURES</b>                                  |                                    |                               |                                    |   |
| Current:   |                                    |                               |                                    |   |
| Education  | -                                  | 9,299                         | -                                  | 9,299                                       |
| University   | -                                  | 2,927                         | -                                  | 2,927                                       |
| Natural Resources                                    | -                                  | 91                            | -                                  | 91  |
| Development  | -                                  | -                             | 881                                | 881   |
| Transportation                                       | 334                                | -                             | 83,314                             | 83,648                                      |
| Debt Service:  |                                    |                               |                                    |   |
| Interest and Other Charges                           | -                                  | -                             | 301                                | 301   |
| Total Expenditures                                   | 334                                | 12,317                        | 84,496                             | 97,147                                      |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (311)                              | (12,149)                      | (84,157)                           | (96,617)                                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                                    |                               |                                    |   |
| Transfers In from Other Funds                        | -                                  | -                             | 10,000                             | 10,000                                      |
| Transfers (Out to) Other Funds                       | (65)                               | (151)                         | -                                  | (216)                                       |
| Total Other Financing Sources<br>and Uses            | (65)                               | (151)                         | 10,000                             | 9,784                                       |
| Net Change in Fund Balances                          | (376)                              | (12,300)                      | (74,157)                           | (86,833)                                    |
| Fund Balances - Beginning of Year                    | 7,310                              | 63,255                        | (18,377)                           | 52,188                                      |
| Fund Balances - End of Year                          | \$ 6,934                           | \$ 50,955                     | \$ (92,534)                        | \$ (34,645)                                 |



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# Nonmajor Enterprise Funds

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

## **COMMERCIAL ASSISTANCE ENTERPRISE FUNDS**

- **Alaska Capstone Avionics Revolving Loan Fund (Fund 21628)** – AS 44.33.655 – Administered by the Department of Commerce, Community, and Economic Development (DCCED). The purpose of this fund is to provide low interest loans to qualified applicants for the purpose of purchasing and installing capstone avionics equipment, to increase the safety of air carrier, air taxi, and general aviation intrastate air transportation.
- **Alaska Microloan Revolving Loan Fund (Fund 21629)** – AS 44.33.950 – Administered by DCCED. The purpose of this fund is to make loans to be used for working capital, equipment, construction or other commercial purposes by a business located in the state.
- **Commercial Charter Fisheries Revolving Loan Fund (Fund 21632)** – AS 16.10.801 – Administered by DCCED. The purpose of this fund is to make loans for the purchase of charter halibut permits and to refinance debt obligations for the purchase of halibut fishing vessels or gear.
- **Commercial Fishing Revolving Loan Fund (Fund 21608)** – AS 16.10.340 – Administered by DCCED. The purpose of this fund is to promote the development and continued maintenance of commercial fishing gear and vessels by means of long-term, low interest loans.
- **Community Quota Entity Revolving Loan Fund (Fund 21633)** – AS 16.10.345 – Administered by DCCED. The purpose of this fund is to make loans for the purchase of fishing quota shares by a community quota entity eligible under federal statute or regulation to purchase the fishing quota shares if the entity is not eligible or qualified for financing from other recognized commercial lending institutions.
- **Fisheries Enhancement Revolving Loan Fund (Fund 21615)** – AS 16.10.505 – Administered by DCCED. The purpose of this fund is to promote the enhancement of the State's fisheries by means of long-term, low interest loans for hatchery planning, construction, and operation.
- **Historical District Revolving Loan Fund (Fund 21614)** – AS 45.98.010 – Administered by DCCED. The purpose of this fund is to make loans for the restoration or rehabilitation of structures within the boundaries of a historical district. These structures are identified as important to state or national history and are suitable for superficial modification to conform to the period or motif of the surrounding area.
- **Mariculture Revolving Loan Fund (Fund 21634)** – AS 16.10.900 – Administered by DCCED. The purpose of this fund is to make loans to eligible applicants for the planning, construction and operation of a mariculture business.
- **Mining Revolving Loan Fund (Fund 21625)** – AS 27.09.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for loans to underwrite advanced mineral exploration, development, or mining.

## **ENERGY ASSISTANCE ENTERPRISE FUNDS**

- **Alternative Energy Conservation Revolving Loan Fund (Fund 21619)** – AS 45.88.010 – Administered by DCCED. This fund consists of monies appropriated by the legislature for the purpose of developing energy production utilizing one or more alternative energy systems and to purchase, construct, and install energy conservation improvements in commercial buildings.

- **Bulk Fuel Revolving Loan Fund (Fund 21624)** – AS 42.45.250 – Administered by DCCED. The purpose of this fund is to assist communities, utilities providing power in communities, fuel retailers, and other persons in communities in purchasing bulk fuel to generate power or supply the public with fuel for use in communities.
- **Residential Energy Conservation Fund (Fund 21623)** – AS 45.88.100 – Administered by DCCED. This fund consists of money appropriated by the legislature for grants and loans to purchase, construct, or install energy conservation improvements.

#### **OTHER AGENCIES ENTERPRISE FUNDS**

- **Agricultural Revolving Loan Fund (Fund 21606)** – AS 03.10.040 – Administered by the Department of Natural Resources. The purpose of this fund is to promote the development of agriculture as an industry throughout the State by means of long-term, low interest loans.
- **Alaska Clean Water Fund (Fund 21658)** – AS 46.03.032 – Administered by the Department of Environmental Conservation. The fund consists of money appropriated by the legislature to meet federal matching requirements for public water and sewage treatment facilities and to provide financial assistance for this purpose.
- **Alaska Drinking Water Fund (Fund 21659)** – AS 46.03.036 – Administered by the Department of Environmental Conservation. The fund consists of federal capitalization grants. The capitalization grants are divided between two purposes: (1) part of each capitalization grant is to be deposited into the fund for providing loans for drinking water infrastructure projects; (2) the other part is to be used or set aside for non-project activities.
- **Alcoholism and Drug Abuse Revolving Loan Fund (Fund 21642)** – AS 44.29.210 – Administered by the Department of Health and Social Services. This fund is required under 42 U.S.C. 300x-25 to qualify the State to receive block grant money from the United States Department of Health and Human Services under 42 U.S.C. 300x-21. Money in the fund may be used to make loans to private nonprofit organizations for the cost of establishing programs to help pay the living expenses of individuals recovering from alcohol or drug abuse who may reside in group homes.
- **Knik Arm Bridge and Toll Authority (Fund 21680)** – AS 19.75.021 – Administered by the Department of Transportation and Public Facilities. This fund is to be used for the purpose of developing public transportation systems in the vicinity of Upper Cook Inlet with the construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. These monies may be used to own, acquire, construct, develop, create, reconstruct, equip, operate, maintain, extend, and improve the Knik Arm Bridge and its appurtenant facilities. The authority can fix and collect fees, rents, tolls, rates or other charges for the use of the bridge and its facilities which would become revenue to the fund. Per Chapter 51, SLA 2014, all assets related to the Knik Arm Bridge and Toll Authority were transferred to the Department of Transportation & Public Facilities effective July 1, 2014.
- **Unemployment Compensation Fund (Fund 33030)** – AS 23.20.130 – Administered by the Department of Labor and Workforce Development. This federal trust fund is established and maintained in the United States Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.





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STATE OF ALASKA  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 4.01

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise Funds |
|---|--------------------------|----------------------|-------------------|------------------------------------|
| <b>ASSETS</b>   |                          |                      |                   |                                    |
| Current Assets:   |                          |                      |                   |                                    |
| Cash and Investments  | \$ 94,904                | \$ 21,681            | \$ 605,027        | \$ 721,612                         |
| Accounts Receivable - Net   | -                        | -                    | 24,892            | 24,892                             |
| Interest and Dividends Receivable                                     | 4,445                    | 11                   | 2,172             | 6,628                              |
| Due from Other Funds  | 144                      | -                    | 118               | 262                                |
| Due from Other Governments  | -                        | -                    | 325               | 325                                |
| Loans, Notes, and Bonds Receivable                                    | 8,461                    | 3,858                | 18,325            | 30,644                             |
| Total Current Assets  | 107,954                  | 25,550               | 650,859           | 784,363                            |
| Noncurrent Assets:  |                          |                      |                   |                                    |
| Interest and Dividends Receivable                                     | 9,650                    | -                    | -                 | 9,650                              |
| Loans, Notes, and Bonds Receivable                                    | 128,890                  | 653                  | 274,835           | 404,378                            |
| Reposessed Property   | 977                      | -                    | 502               | 1,479                              |
| Investment in Projects, Partnerships,<br>or Corporations              | -                        | -                    | 2,787             | 2,787                              |
| Other Noncurrent Assets   | -                        | -                    | 1,219             | 1,219                              |
| Total Noncurrent Assets   | 139,517                  | 653                  | 279,343           | 419,513                            |
| Total Assets  | 247,471                  | 26,203               | 930,202           | 1,203,876                          |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |                          |                      |                   |                                    |
| Deferred Outflows Related to Pensions                                 | -                        | -                    | 171               | 171                                |
| Total Deferred Outflows of Resources                                  | -                        | -                    | 171               | 171                                |
| <b>LIABILITIES</b>  |                          |                      |                   |                                    |
| Current Liabilities:  |                          |                      |                   |                                    |
| Accounts Payable and Accrued Liabilities                              | 229                      | 2                    | 5,772             | 6,003                              |
| Due to Other Funds  | 1                        | -                    | 1,553             | 1,554                              |
| Due to Other Governments  | -                        | -                    | 4,111             | 4,111                              |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -                        | -                    | 20                | 20                                 |
| Other Current Liabilities   | -                        | -                    | 582               | 582                                |
| Total Current Liabilities   | 230                      | 2                    | 12,038            | 12,270                             |
| Noncurrent Liabilities:   |                          |                      |                   |                                    |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -                        | -                    | 239               | 239                                |
| Net Pension Liabilities   | -                        | -                    | 622               | 622                                |
| Total Noncurrent Liabilities  | -                        | -                    | 861               | 861                                |
| Total Liabilities   | 230                      | 2                    | 12,899            | 13,131                             |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                          |                      |                   |                                    |
| Deferred Inflows Related to Pensions                                  | -                        | -                    | 76                | 76                                 |
| Total Deferred Inflows of Resources                                   | -                        | -                    | 76                | 76                                 |
| <b>NET POSITION</b>   |                          |                      |                   |                                    |
| Restricted for:   |                          |                      |                   |                                    |
| Unemployment Compensation   | -                        | -                    | 429,285           | 429,285                            |
| Health and Human Services   | -                        | -                    | 465,877           | 465,877                            |
| Other Purposes  | -                        | -                    | 221               | 221                                |
| Unrestricted  | 247,241                  | 26,201               | 22,015            | 295,457                            |
| Total Net Position  | \$ 247,241               | \$ 26,201            | \$ 917,398        | \$ 1,190,840                       |



## STATE OF ALASKA

## STATEMENT 4.02

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

## Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise Funds |
|---|--------------------------|----------------------|-------------------|------------------------------------|
| <b>OPERATING REVENUES</b>                         |                          |                      |                   |                                    |
| Premiums and Contributions                        | \$ -                     | \$ -                 | \$ 185,168        | \$ 185,168                         |
| Charges for Goods and Services                    | 288                      | -                    | 1,331             | 1,619                              |
| Interest and Investment Income                    | 6,281                    | 270                  | 3,183             | 9,734                              |
| Allowance for Uncollectible Interest              | 193                      | -                    | -                 | 193                                |
| Fines and Forfeitures                             | 30                       | -                    | 315               | 345                                |
| Total Operating Revenues                          | <u>6,792</u>             | <u>270</u>           | <u>189,997</u>    | <u>197,059</u>                     |
| <b>OPERATING EXPENSES</b>                         |                          |                      |                   |                                    |
| Benefits  | -                        | -                    | 142,702           | 142,702                            |
| Operating   | 4,317                    | 54                   | 1,100             | 5,471                              |
| Depreciation                                      | -                        | -                    | 20                | 20                                 |
| Provision for Loan Losses and Forgiveness         | 2,144                    | (219)                | -                 | 1,925                              |
| Total Operating Expenses                          | <u>6,461</u>             | <u>(165)</u>         | <u>143,822</u>    | <u>150,118</u>                     |
| Operating Income (Loss)                           | <u>331</u>               | <u>435</u>           | <u>46,175</u>     | <u>46,941</u>                      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                          |                      |                   |                                    |
| Interest and Investment Income                    | 76                       | 78                   | 10,297            | 10,451                             |
| Interest and Investment Expense                   | -                        | -                    | (5)               | (5)                                |
| Gain (Loss) on Disposal of Capital Assets         | -                        | -                    | (59,960)          | (59,960)                           |
| Other Nonoperating Revenues (Expenses)            | -                        | -                    | (2,601)           | (2,601)                            |
| Total Nonoperating Revenues (Expenses)            | <u>76</u>                | <u>78</u>            | <u>(52,269)</u>   | <u>(52,115)</u>                    |
| Income Before Capital Contributions and Transfers | 407                      | 513                  | (6,094)           | (5,174)                            |
| Capital Contributions                             | -                        | -                    | 18,463            | 18,463                             |
| Transfers In from Other Funds                     | -                        | -                    | 133               | 133                                |
| Transfers (Out to) Other Funds                    | (1)                      | -                    | (3,645)           | (3,646)                            |
| Change in Net Position                            | 406                      | 513                  | 8,857             | 9,776                              |
| Total Net Position - Beginning of Year (restated) | 246,835                  | 25,688               | 908,541           | 1,181,064                          |
| Total Net Position - End of Year                  | <u>\$ 247,241</u>        | <u>\$ 26,201</u>     | <u>\$ 917,398</u> | <u>\$ 1,190,840</u>                |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 4.03

|  | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise<br>Funds |
|--|--------------------------|----------------------|-------------------|---------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                          |                      |                   |                                       |
| Receipts from Other Governments                                      | \$ -                     | \$ -                 | \$ 586            | \$ 586                                |
| Receipts from Customers  | 9                        | -                    | -                 | 9                                     |
| Receipts for Interfund Services Provided                             | 6                        | -                    | -                 | 6                                     |
| Receipt of Principal from Loan Recipients                            | 12,510                   | 16,722               | 21,113            | 50,345                                |
| Receipt of Interest and Fees from Loan Recipients                    | 7,173                    | 268                  | 4,279             | 11,720                                |
| Receipts from Insured  | -                        | -                    | 185,704           | 185,704                               |
| Payments to Employees  | -                        | -                    | (743)             | (743)                                 |
| Payments to Suppliers  | -                        | -                    | (358)             | (358)                                 |
| Payments to Loan Recipients  | (27,376)                 | (14,859)             | (32,990)          | (75,225)                              |
| Claims Paid  | -                        | -                    | (141,108)         | (141,108)                             |
| Payments for Interfund Services Used                                 | (4,972)                  | (54)                 | (2)               | (5,028)                               |
| Other Receipts   | 32                       | -                    | 272               | 304                                   |
| Other Payments   | (15)                     | -                    | (75)              | (90)                                  |
| Net Cash Provided (Used) by Operating Activities                     | (12,633)                 | 2,077                | 36,678            | 26,122                                |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                          |                      |                   |                                       |
| Operating Subsidies and Transfers (Out to) Other Funds               | (1)                      | -                    | (6,408)           | (6,409)                               |
| Operating Subsidies and Transfers In from Other Funds                | -                        | -                    | 294               | 294                                   |
| Proceeds from Issuance of Short-term Debt                            | -                        | -                    | 3,278             | 3,278                                 |
| Payments on Short-term Debt  | -                        | -                    | (3,278)           | (3,278)                               |
| Interest and Fees Paid on Borrowing                                  | -                        | -                    | (4)               | (4)                                   |
| Net Cash Provided (Used) by Noncapital Financing Activities          | (1)                      | -                    | (6,118)           | (6,119)                               |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                          |                      |                   |                                       |
| Capital Contributions  | -                        | -                    | 39                | 39                                    |
| Federal Grants   | -                        | -                    | 18,424            | 18,424                                |
| Net Cash Provided (Used) by Capital and Related Financing Activities | -                        | -                    | 18,463            | 18,463                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                          |                      |                   |                                       |
| Proceeds from Sales/Maturities of Investments                        | -                        | -                    | 11                | 11                                    |
| Interest and Dividends on Investments                                | 76                       | 78                   | 10,286            | 10,440                                |
| Net Cash Provided (Used) by Investing Activities                     | 76                       | 78                   | 10,297            | 10,451                                |
| Net Increase (Decrease) in Cash                                      | (12,558)                 | 2,155                | 59,320            | 48,917                                |
| Cash and Cash Equivalents - Beginning of Year                        | 107,462                  | 19,526               | 545,707           | 672,695                               |
| Cash and Cash Equivalents - End of Year                              | \$ 94,904                | \$ 21,681            | \$ 605,027        | \$ 721,612                            |

This statement continued on the next page.

STATE OF ALASKA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 4.03

|   | Commercial<br>Assistance | Energy<br>Assistance | Other<br>Agencies | Total Nonmajor<br>Enterprise<br>Funds |
|---|--------------------------|----------------------|-------------------|---------------------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net<br/>Cash Provided (Used) by Operating Activities:</b> |                          |                      |                   |                                       |
| Operating Income (Loss)   | \$ 331                   | \$ 435               | \$ 46,175         | \$ 46,941                             |
| Adjustments to Reconcile Operating Income to Net Cash<br>Provided (Used) by Operating Activities:         |                          |                      |                   |                                       |
| Provision for Loan Losses and Forgiveness   | 5                        | -                    | -                 | 5                                     |
| Net Changes in Assets, Deferred Outflows of Resources,<br>Liabilities, and Deferred Inflows of Resources: |                          |                      |                   |                                       |
| Accounts Receivable - Net   | -                        | -                    | 1,786             | 1,786                                 |
| Due from Other Funds  | -                        | -                    | 4                 | 4                                     |
| Due from Other Governments  | -                        | -                    | 99                | 99                                    |
| Loans, Notes, and Bonds Receivable - Net  | (11,328)                 | 1,649                | (11,909)          | (21,588)                              |
| Repossessed Property  | (960)                    | -                    | 20                | (940)                                 |
| Interest and Dividends Receivable - Net   | 205                      | (4)                  | (167)             | 34                                    |
| Other Assets  | -                        | -                    | 30                | 30                                    |
| Deferred Outflows of Resources  | -                        | -                    | (122)             | (122)                                 |
| Due to Other Funds  | (714)                    | -                    | 76                | (638)                                 |
| Due to Other Governments  | -                        | -                    | (1,078)           | (1,078)                               |
| Accounts Payable and Accrued Liabilities  | (172)                    | (3)                  | 1,374             | 1,199                                 |
| Net Pension Liability   | -                        | -                    | (70)              | (70)                                  |
| Other Liabilities   | -                        | -                    | 384               | 384                                   |
| Deferred Inflows of Resources   | -                        | -                    | 76                | 76                                    |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ (12,633)</u>       | <u>\$ 2,077</u>      | <u>\$ 36,678</u>  | <u>\$ 26,122</u>                      |
| <b>Reconciliation of Cash to the Statement<br/>of Net Position:</b>                                       |                          |                      |                   |                                       |
| Total Cash and Investments per the Statement of Net Position  | \$ 94,904                | \$ 21,681            | \$ 605,027        | \$ 721,612                            |
| Cash, End of Year   | <u>\$ 94,904</u>         | <u>\$ 21,681</u>     | <u>\$ 605,027</u> | <u>\$ 721,612</u>                     |
| <b>Noncash Investing, Capital, and Financing<br/>Activities:</b>  |                          |                      |                   |                                       |
| Transfers (Out to) Other Funds (Accrual)  | (1)                      | -                    | -                 | (1)                                   |
| Capital Assets Transferred to Primary Government  | -                        | -                    | (59,960)          | (59,960)                              |

**STATE OF ALASKA**  
**Combining Statement of Net Position**  
**Commercial Assistance Enterprise Funds**  
**June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 4.11**

|  | Alaska<br>Microloan<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan | Commercial<br>Charter<br>Fisheries<br>Revolving Loan | Historical<br>District<br>Revolving<br>Loan |
|--|--|--|--|---|
| <b>ASSETS</b>                            |  |  |  |   |
| Current Assets:                          |  |  |  |   |
| Cash and Investments                     | \$ 2,298                                 | \$ 12,119                                  | \$ 5,015   | \$ -  |
| Interest and Dividends Receivable        | 6  | 2,916                                      | -  | -   |
| Due from Other Funds                     | -  | 144  | -  | -   |
| Loans, Notes, and Bonds Receivable       | 82                                       | 7,398                                      | -  | -   |
| Total Current Assets                     | 2,386                                    | 22,577                                     | 5,015  | -   |
| Noncurrent Assets:                       |  |  |  |   |
| Interest and Dividends Receivable        | -  | 1,071                                      | -  | -   |
| Loans, Notes, and Bonds Receivable       | 139                                      | 80,638                                     | -  | -   |
| Reposessed Property                      | -  | 22   | -  | -   |
| Total Noncurrent Assets                  | 139                                      | 81,731                                     | -  | -   |
| Total Assets                             | 2,525                                    | 104,308                                    | 5,015  | -   |
| <b>LIABILITIES</b>                       |  |  |  |   |
| Current Liabilities:                     |  |  |  |   |
| Accounts Payable and Accrued Liabilities | -  | 229  | -  | -   |
| Due to Other Funds                       | -  | -  | -  | -   |
| Total Current Liabilities                | -  | 229  | -  | -   |
| Total Liabilities                        | -  | 229  | -  | -   |
| <b>NET POSITION</b>                      |  |  |  |   |
| Unrestricted                             | 2,525                                    | 104,079                                    | 5,015  | -   |
| Total Net Position                       | \$ 2,525                                 | \$ 104,079                                 | \$ 5,015   | \$ -  |

## STATEMENT 4.11

| Fisheries<br>Enhancement<br>Revolving<br>Loan | Mining<br>Revolving<br>Loan | Alaska<br>Capstone Avionics<br>Revolving<br>Loan | Community<br>Quota Entity<br>Revolving<br>Loan | Mariculture<br>Revolving<br>Loan | Total<br>Commercial<br>Assistance<br>Enterprise Funds |
|---|-----------------------------|--|--|----------------------------------|---|
| \$ 55,739                                     | \$ 201                      | \$ 4,985   | \$ 9,734                                       | \$ 4,813                         | \$ 94,904   |
| 1,515   | -                           | 2  | 6  | -                                | 4,445   |
| -   | -                           | -  | -  | -                                | 144   |
| 941   | -                           | 37   | 3  | -                                | 8,461   |
| 58,195  | 201                         | 5,024  | 9,743  | 4,813                            | 107,954   |
| 8,571   | -                           | -  | -  | 8                                | 9,650   |
| 47,530  | -                           | 227  | 162  | 194                              | 128,890   |
| 955   | -                           | -  | -  | -                                | 977   |
| 57,056  | -                           | 227  | 162  | 202                              | 139,517   |
| 115,251                                       | 201                         | 5,251  | 9,905  | 5,015                            | 247,471   |
| -   | -                           | -  | -  | -                                | 229   |
| -   | 1                           | -  | -  | -                                | 1   |
| -   | 1                           | -  | -  | -                                | 230   |
| -   | 1                           | -  | -  | -                                | 230   |
| 115,251                                       | 200                         | 5,251  | 9,905  | 5,015                            | 247,241   |
| \$ 115,251                                    | \$ 200                      | \$ 5,251   | \$ 9,905                                       | \$ 5,015                         | \$ 247,241  |

## STATE OF ALASKA

## STATEMENT 4.12

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Commercial Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

|   | Alaska<br>Microloan<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan | Commercial<br>Charter<br>Fisheries<br>Revolving Loan | Historical<br>District<br>Revolving<br>Loan |
|---|--|--|--|---|
| <b>OPERATING REVENUES</b>                         |  |  |  |   |
| Charges for Goods and Services                    | \$ 1                                     | \$ 228                                     | \$ -   | \$ -  |
| Interest and Investment Income                    | 13                                       | 3,913                                      | -  | -   |
| Allowance for Uncollectible Interest              | -  | 36   | -  | -   |
| Fines and Forfeitures                             | -  | 30   | -  | -   |
| Total Operating Revenues                          | 14                                       | 4,207                                      | -  | -   |
| <b>OPERATING EXPENSES</b>                         |  |  |  |   |
| Operating   | 9  | 3,579                                      | 19   | -   |
| Provision for Loan Losses and Forgiveness         | -  | 985  | -  | -   |
| Total Operating Expenses                          | 9  | 4,564                                      | 19   | -   |
| Operating Income (Loss)                           | 5  | (357)                                      | (19)   | -   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |  |  |  |   |
| Interest and Investment Income                    | 10                                       | -  | 22   | -   |
| Total Nonoperating Revenues (Expenses)            | 10                                       | -  | 22   | -   |
| Income Before Capital Contributions and Transfers | 15                                       | (357)                                      | 3  | -   |
| Transfers (Out to) Other Funds                    | -  | -  | -  | -   |
| Change in Net Position                            | 15                                       | (357)                                      | 3  | -   |
| Total Net Position - Beginning of Year            | 2,510                                    | 104,436                                    | 5,012  | -   |
| Total Net Position - End of Year                  | \$ 2,525                                 | \$ 104,079                                 | \$ 5,015   | \$ -  |

STATEMENT 4.12

| Fisheries<br>Enhancement<br>Revolving<br>Loan | Mining<br>Revolving<br>Loan | Alaska<br>Capstone Avionics<br>Revolving<br>Loan | Community<br>Quota Entity<br>Revolving<br>Loan | Mariculture<br>Revolving<br>Loan | Total<br>Commercial<br>Assistance<br>Enterprise Funds |
|---|-----------------------------|--|--|----------------------------------|---|
| \$ 54   | \$ -                        | \$ -   | \$ -   | \$ 5                             | \$ 288  |
| 2,334   | -                           | 11   | 9  | 1                                | 6,281   |
| 157   | -                           | -  | -  | -                                | 193   |
| -   | -                           | -  | -  | -                                | 30  |
| 2,545   | -                           | 11   | 9  | 6                                | 6,792   |
| 619   | -                           | 32   | 37   | 22                               | 4,317   |
| 1,162   | (1)                         | (2)  | -  | -                                | 2,144   |
| 1,781   | (1)                         | 30   | 37   | 22                               | 6,461   |
| 764   | 1                           | (19)   | (28)   | (16)                             | 331   |
| -   | -                           | 22   | -  | 22                               | 76  |
| -   | -                           | 22   | -  | 22                               | 76  |
| 764   | 1                           | 3  | (28)   | 6                                | 407   |
| -   | (1)                         | -  | -  | -                                | (1)   |
| 764   | -                           | 3  | (28)   | 6                                | 406   |
| 114,487                                       | 200                         | 5,248  | 9,933  | 5,009                            | 246,835   |
| \$ 115,251                                    | \$ 200                      | \$ 5,251   | \$ 9,905                                       | \$ 5,015                         | \$ 247,241  |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Commercial Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 4.13

|  | Alaska<br>Microloan<br>Revolving<br>Loan | Commercial<br>Fishing<br>Revolving<br>Loan | Commercial<br>Charter<br>Fisheries<br>Revolving Loan | Historical<br>District<br>Revolving<br>Loan |
|--|--|--|--|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |  |   |
| Receipts from Customers  | \$ -                                     | \$ 9                                       | \$ -   | \$ -  |
| Receipts for Interfund Services Provided   | -  | -  | -  | -   |
| Receipts of Principal from Loan Recipients   | 51                                       | 10,881                                     | -  | -   |
| Receipt of Interest and Fees from Loan Recipients  | 11                                       | 3,876                                      | -  | -   |
| Payments to Loan Recipients  | (43)                                     | (17,067)                                   | -  | -   |
| Payments for Interfund Services Used   | (9)                                      | (4,211)                                    | (19)   | (62)  |
| Other Receipts   | -  | 32   | -  | -   |
| Other Payments   | -  | (15)                                       | -  | -   |
| Net Cash Provided (Used) by Operating Activities   | 10                                       | (6,495)                                    | (19)   | (62)  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |  |  |  |   |
| Operating Subsidies and Transfers (Out to) Other Funds   | -  | -  | -  | -   |
| Net Cash Provided (Used) by Noncapital Financing Activities  | -  | -  | -  | -   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |  |  |   |
| Interest and Dividends on Investments  | 10                                       | -  | 22   | -   |
| Net Cash Provided (Used) by Investing Activities   | 10                                       | -  | 22   | -   |
| Net Increase (Decrease) in Cash  | 20                                       | (6,495)                                    | 3  | (62)  |
| Cash and Cash Equivalents - Beginning of Year  | 2,278                                    | 18,614                                     | 5,012  | 62  |
| Cash and Cash Equivalents - End of Year  | <u>\$ 2,298</u>                          | <u>\$ 12,119</u>                           | <u>\$ 5,015</u>                                      | <u>\$ -</u>                                 |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>  |  |  |  |   |
| Operating Income (Loss)  | \$ 5                                     | \$ (357)                                   | \$ (19)  | \$ -  |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:         |  |  |  |   |
| Provision for Loan Losses and Forgiveness  | -  | -  | -  | -   |
| Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: |  |  |  |   |
| Loans, Notes and Bonds Receivable - Net  | 7  | (5,209)                                    | -  | -   |
| Reposessed Property  | -  | (5)  | -  | -   |
| Interest and Dividends Receivable - Net  | (2)                                      | (106)                                      | -  | -   |
| Due to Other Funds   | -  | (646)                                      | -  | (62)  |
| Accounts Payable and Accrued Liabilities   | -  | (172)                                      | -  | -   |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 10</u>                             | <u>\$ (6,495)</u>                          | <u>\$ (19)</u>                                       | <u>\$ (62)</u>                              |
| <b>Reconciliation of Cash to the Statement of Net Position:</b>  |  |  |  |   |
| Total Cash and Investments per the Statement of Net Position   | \$ 2,298                                 | \$ 12,119                                  | \$ 5,015   | \$ -  |
| Cash, End of Year  | <u>\$ 2,298</u>                          | <u>\$ 12,119</u>                           | <u>\$ 5,015</u>                                      | <u>\$ -</u>                                 |
| <b>Noncash Investing, Capital, and Financing Activities:</b>   |  |  |  |   |
| Transfers (Out to) Other Funds (Accrual)   | -  | -  | -  | -   |



## STATEMENT 4.13

| Fisheries<br>Enhancement<br>Revolving<br>Loan | Mining<br>Revolving<br>Loan | Alaska<br>Capstone Avionics<br>Revolving<br>Loan | Community<br>Quota Entity<br>Revolving<br>Loan | Mariculture<br>Revolving<br>Loan | Total<br>Commercial<br>Assistance<br>Enterprise Funds |
|---|-----------------------------|--|--|----------------------------------|---|
| \$ -  | \$ -                        | \$ -   | \$ -   | \$ -                             | \$ 9  |
| -   | -                           | -  | 6  | -                                | 6   |
| 1,437   | 1                           | 133  | 6  | 1                                | 12,510  |
| 3,273   | -                           | 13   | -  | -                                | 7,173   |
| (10,042)                                      | -                           | (87)   | (37)   | (100)                            | (27,376)  |
| (619)   | (1)                         | (32)   | -  | (19)                             | (4,972)   |
| -   | -                           | -  | -  | -                                | 32  |
| -   | -                           | -  | -  | -                                | (15)  |
| <u>(5,951)</u>                                | <u>-</u>                    | <u>27</u>  | <u>(25)</u>                                    | <u>(118)</u>                     | <u>(12,633)</u>                                       |
| -   | (1)                         | -  | -  | -                                | (1)   |
| -   | (1)                         | -  | -  | -                                | (1)   |
| -   | -                           | 22   | -  | 22                               | 76  |
| -   | -                           | 22   | -  | 22                               | 76  |
| (5,951)                                       | (1)                         | 49   | (25)   | (96)                             | (12,558)  |
| 61,690  | 202                         | 4,936  | 9,759  | 4,909                            | 107,462   |
| <u>\$ 55,739</u>                              | <u>\$ 201</u>               | <u>\$ 4,985</u>                                  | <u>\$ 9,734</u>                                | <u>\$ 4,813</u>                  | <u>\$ 94,904</u>                                      |
| \$ 764  | \$ 1                        | \$ (19)  | \$ (28)  | \$ (16)                          | \$ 331  |
| -   | -                           | 2  | -  | 3                                | 5   |
| (6,076)                                       | -                           | 44   | 6  | (100)                            | (11,328)  |
| (955)   | -                           | -  | -  | -                                | (960)   |
| 321   | -                           | -  | (3)  | (5)                              | 205   |
| (5)   | (1)                         | -  | -  | -                                | (714)   |
| -   | -                           | -  | -  | -                                | (172)   |
| <u>\$ (5,951)</u>                             | <u>\$ -</u>                 | <u>\$ 27</u>                                     | <u>\$ (25)</u>                                 | <u>\$ (118)</u>                  | <u>\$ (12,633)</u>                                    |
| \$ 55,739                                     | \$ 201                      | \$ 4,985   | \$ 9,734                                       | \$ 4,813                         | \$ 94,904   |
| <u>\$ 55,739</u>                              | <u>\$ 201</u>               | <u>\$ 4,985</u>                                  | <u>\$ 9,734</u>                                | <u>\$ 4,813</u>                  | <u>\$ 94,904</u>                                      |
| -   | (1)                         | -  | -  | -                                | (1)   |

STATE OF ALASKA  
Combining Statement of Net Position  
Energy Assistance Enterprise Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 4.21

|  | Alternative<br>Energy<br>Conservation<br>Revolving Loan | Bulk Fuel<br>Revolving<br>Loan | Total Energy<br>Assistance<br>Enterprise Funds |
|--|---|--------------------------------|--|
| <b>ASSETS</b>                            |   |                                |  |
| Current Assets:                          |   |                                |  |
| Cash and Investments                     | \$ 2,707  | \$ 18,974                      | \$ 21,681                                      |
| Interest and Dividends Receivable        | -   | 11                             | 11   |
| Loans, Notes, and Bonds Receivable       | -   | 3,858                          | 3,858  |
| Total Current Assets                     | 2,707   | 22,843                         | 25,550   |
| Noncurrent Assets:                       |   |                                |  |
| Loans, Notes, and Bonds Receivable       | -   | 653                            | 653  |
| Total Noncurrent Assets                  | -   | 653                            | 653  |
| Total Assets                             | 2,707   | 23,496                         | 26,203   |
| <b>LIABILITIES</b>                       |   |                                |  |
| Current Liabilities:                     |   |                                |  |
| Accounts Payable and Accrued Liabilities | -   | 2                              | 2  |
| Total Current Liabilities                | -   | 2                              | 2  |
| Total Liabilities                        | -   | 2                              | 2  |
| <b>NET POSITION</b>                      |   |                                |  |
| Unrestricted                             | 2,707   | 23,494                         | 26,201   |
| Total Net Position                       | \$ 2,707  | \$ 23,494                      | \$ 26,201                                      |

## STATE OF ALASKA

## STATEMENT 4.22

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

## Energy Assistance Enterprise Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|   | Alternative<br>Energy<br>Conservation<br>Revolving Loan | Bulk Fuel<br>Revolving<br>Loan | Total Energy<br>Assistance<br>Enterprise<br>Funds |
|---|---|--------------------------------|---|
| <b>OPERATING REVENUES</b>                         |   |                                |   |
| Interest and Investment Income                    | \$ -  | \$ 270                         | \$ 270  |
| Total Operating Revenues                          | -   | 270                            | 270   |
| <b>OPERATING EXPENSES</b>                         |   |                                |   |
| Operating   | -   | 54                             | 54  |
| Provision for Loan Losses and Forgiveness         | -   | (219)                          | (219)   |
| Total Operating Expenses                          | -   | (165)                          | (165)   |
| Operating Income (Loss)                           | -   | 435                            | 435   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |   |                                |   |
| Interest and Investment Income                    | 12  | 66                             | 78  |
| Total Nonoperating Revenues (Expenses)            | 12  | 66                             | 78  |
| Income Before Capital Contributions and Transfers | 12  | 501                            | 513   |
| Change in Net Position                            | 12  | 501                            | 513   |
| Total Net Position - Beginning of Year            | 2,695   | 22,993                         | 25,688  |
| Total Net Position - End of Year                  | \$ 2,707  | \$ 23,494                      | \$ 26,201   |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Energy Assistance Enterprise Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 4.23

|  | Alternative<br>Energy<br>Conservation<br>Revolving Loan | Bulk Fuel<br>Revolving<br>Loan | Total Energy<br>Assistance<br>Enterprise Funds |
|--|---|--------------------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                                |  |
| Receipts of Principal from Loan Recipients   | \$ -  | \$ 16,722                      | \$ 16,722                                      |
| Receipt of Interest and Fees from Loan Recipients  | -   | 268                            | 268  |
| Payments to Loan Recipients  | -   | (14,859)                       | (14,859)                                       |
| Payments for Interfund Services Used   | -   | (54)                           | (54)   |
| Net Cash Provided (Used) by Operating Activities   | -   | 2,077                          | 2,077  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |                                |  |
| Interest and Dividends on Investments  | 12  | 66                             | 78   |
| Net Cash Provided (Used) by Investing Activities   | 12  | 66                             | 78   |
| Net Increase (Decrease) in Cash  | 12  | 2,143                          | 2,155  |
| Cash and Cash Equivalents - Beginning of Year  | 2,695   | 16,831                         | 19,526   |
| Cash and Cash Equivalents - End of Year  | \$ 2,707  | \$ 18,974                      | \$ 21,681                                      |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>  |   |                                |  |
| Operating Income (Loss)  | \$ -  | \$ 435                         | \$ 435   |
| Adjustments to Reconcile Operating Income to Net Cash  |   |                                |  |
| Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: |   |                                |  |
| Loans, Notes, and Bonds Receivable - Net   | -   | 1,649                          | 1,649  |
| Interest and Dividends Receivable - Net  | -   | (4)                            | (4)  |
| Accounts Payable and Accrued Liabilities   | -   | (3)                            | (3)  |
| Net Cash Provided (Used) by Operating Activities   | \$ -  | \$ 2,077                       | \$ 2,077                                       |
| <b>Reconciliation of Cash to the Statement of Net Position:</b>  |   |                                |  |
| Total Cash and Investments per the Statement of Net Position   | \$ 2,707  | \$ 18,974                      | \$ 21,681                                      |
| Cash, End of Year  | \$ 2,707  | \$ 18,974                      | \$ 21,681                                      |



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STATE OF ALASKA  
Combining Statement of Net Position  
Other Agencies Enterprise Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 4.31

|   | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Alaska<br>Clean Water |
|---|--|--------------------------------|-----------------------|
| <b>ASSETS</b>   |  |                                |                       |
| Current Assets:   |  |                                |                       |
| Cash and Investments  | \$ 221   | \$ 8,971                       | \$ 118,211            |
| Accounts Receivable - Net   | -  | 36                             | 701                   |
| Interest and Dividends Receivable                                     | -  | 92                             | 1,400                 |
| Due from Other Funds  | -  | 32                             | -                     |
| Due from Other Governments  | -  | -                              | -                     |
| Loans, Notes, and Bonds Receivable                                    | -  | 817                            | 8,960                 |
| Total Current Assets  | 221  | 9,948                          | 129,272               |
| Noncurrent Assets:  |  |                                |                       |
| Loans, Notes, and Bonds Receivable                                    | -  | 8,523                          | 143,765               |
| Repossessed Property  | -  | 502                            | -                     |
| Investment in Projects, Partnerships,<br>or Corporations              | -  | 2,787                          | -                     |
| Other Noncurrent Assets   | -  | 1,219                          | -                     |
| Total Noncurrent Assets   | -  | 13,031                         | 143,765               |
| Total Assets  | 221  | 22,979                         | 273,037               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |  |                                |                       |
| Deferred Outflows Related to Pensions                                 | -  | 171                            | -                     |
| Total Deferred Outflows of Resources                                  | -  | 171                            | -                     |
| <b>LIABILITIES</b>  |  |                                |                       |
| Current Liabilities:  |  |                                |                       |
| Accounts Payable and Accrued Liabilities                              | -  | 109                            | 23                    |
| Due to Other Funds  | -  | 69                             | 257                   |
| Due to Other Governments  | -  | -                              | -                     |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -  | 20                             | -                     |
| Other Current Liabilities   | -  | -                              | -                     |
| Total Current Liabilities   | -  | 198                            | 280                   |
| Noncurrent Liabilities:   |  |                                |                       |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -  | 239                            | -                     |
| Net Pension Liabilities   | -  | 622                            | -                     |
| Total Noncurrent Liabilities  | -  | 861                            | -                     |
| Total Liabilities   | -  | 1,059                          | 280                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |  |                                |                       |
| Deferred Inflows Related to Pensions                                  | -  | 76                             | -                     |
| Total Deferred Inflows of Resources                                   | -  | 76                             | -                     |
| <b>NET POSITION</b>   |  |                                |                       |
| Restricted for:   |  |                                |                       |
| Unemployment Compensation   | -  | -                              | -                     |
| Health and Human Services   | -  | -                              | 272,757               |
| Other Purposes  | 221  | -                              | -                     |
| Unrestricted  | -  | 22,015                         | -                     |
| Total Net Position  | \$ 221   | \$ 22,015                      | \$ 272,757            |

STATEMENT 4.31

| Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Unemployment<br>Compensation | Total Other<br>Agencies<br>Enterprise Funds |
|--------------------------|--|------------------------------|---|
| \$ 61,322                | \$ -                                     | \$ 416,302                   | \$ 605,027                                  |
| 340                      | -  | 23,815                       | 24,892                                      |
| 680                      | -  | -                            | 2,172                                       |
| -                        | 5  | 81                           | 118   |
| 3                        | -  | 322                          | 325   |
| 8,548                    | -  | -                            | 18,325                                      |
| 70,893                   | 5  | 440,520                      | 650,859                                     |
| 122,547                  | -  | -                            | 274,835                                     |
| -                        | -  | -                            | 502   |
| -                        | -  | -                            | 2,787                                       |
| -                        | -  | -                            | 1,219                                       |
| 122,547                  | -  | -                            | 279,343                                     |
| 193,440                  | 5  | 440,520                      | 930,202                                     |
| -                        | -  | -                            | 171   |
| -                        | -  | -                            | 171   |
| 12                       | 5  | 5,623                        | 5,772                                       |
| 308                      | -  | 919                          | 1,553                                       |
| -                        | -  | 4,111                        | 4,111                                       |
| -                        | -  | -                            | 20  |
| -                        | -  | 582                          | 582   |
| 320                      | 5  | 11,235                       | 12,038                                      |
| -                        | -  | -                            | 239   |
| -                        | -  | -                            | 622   |
| -                        | -  | -                            | 861   |
| 320                      | 5  | 11,235                       | 12,899                                      |
| -                        | -  | -                            | 76  |
| -                        | -  | -                            | 76  |
| -                        | -  | 429,285                      | 429,285                                     |
| 193,120                  | -  | -                            | 465,877                                     |
| -                        | -  | -                            | 221   |
| -                        | -  | -                            | 22,015                                      |
| \$ 193,120               | \$ -                                     | \$ 429,285                   | \$ 917,398                                  |

## STATE OF ALASKA

## STATEMENT 4.32

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

## Other Agencies Enterprise Funds

For the Fiscal Year Ended June 30, 2015

(Stated in Thousands)

|   | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Alaska<br>Clean Water |
|---|--|--------------------------------|-----------------------|
| <b>OPERATING REVENUES</b>                         |  |                                |                       |
| Premiums and Contributions                        | \$ -   | \$ -                           | \$ -                  |
| Charges for Goods and Services                    | -  | 1                              | 754                   |
| Interest and Investment Income                    | -  | 518                            | 1,513                 |
| Fines and Forfeitures                             | -  | 2                              | 1                     |
| Total Operating Revenues                          | -  | 521                            | 2,268                 |
| <b>OPERATING EXPENSES</b>                         |  |                                |                       |
| Benefits  | -  | -                              | -                     |
| Operating   | -  | 378                            | 256                   |
| Depreciation                                      | -  | 20                             | -                     |
| Total Operating Expenses                          | -  | 398                            | 256                   |
| Operating Income (Loss)                           | -  | 123                            | 2,012                 |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |  |                                |                       |
| Interest and Investment Income                    | 1  | 11                             | 544                   |
| Interest and Investment Expense                   | -  | -                              | (2)                   |
| Gain (Loss) on Disposal of Capital Assets         | -  | -                              | -                     |
| Other Nonoperating Revenues (Expenses)            | -  | (164)                          | (458)                 |
| Total Nonoperating Revenues (Expenses)            | 1  | (153)                          | 84                    |
| Income Before Capital Contributions and Transfers | 1  | (30)                           | 2,096                 |
| Capital Contributions                             | -  | -                              | 10,037                |
| Transfers In from Other Funds                     | -  | 133                            | -                     |
| Transfers (Out to) Other Funds                    | -  | -                              | -                     |
| Change in Net Position                            | 1  | 103                            | 12,133                |
| Total Net Position - Beginning of Year (restated) | 220  | 21,912                         | 260,624               |
| Total Net Position - End of Year                  | \$ 221   | \$ 22,015                      | \$ 272,757            |



STATEMENT 4.32

| Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Unemployment<br>Compensation | Total Other<br>Agencies<br>Enterprise Funds |
|--------------------------|--|------------------------------|---|
| \$ -                     | \$ -                                     | \$ 185,168                   | \$ 185,168                                  |
| 576                      | -  | -                            | 1,331                                       |
| 1,152                    | -  | -                            | 3,183                                       |
| 4                        | -  | 308                          | 315   |
| <u>1,732</u>             | <u>-</u>                                 | <u>185,476</u>               | <u>189,997</u>                              |
| -                        | -  | 142,702                      | 142,702                                     |
| 307                      | 159                                      | -                            | 1,100                                       |
| -                        | -  | -                            | 20  |
| <u>307</u>               | <u>159</u>                               | <u>142,702</u>               | <u>143,822</u>                              |
| <u>1,425</u>             | <u>(159)</u>                             | <u>42,774</u>                | <u>46,175</u>                               |
| 260                      | -  | 9,481                        | 10,297                                      |
| (3)                      | -  | -                            | (5)   |
| -                        | (59,960)                                 | -                            | (59,960)                                    |
| (2,138)                  | 159                                      | -                            | (2,601)                                     |
| <u>(1,881)</u>           | <u>(59,801)</u>                          | <u>9,481</u>                 | <u>(52,269)</u>                             |
| (456)                    | (59,960)                                 | 52,255                       | (6,094)                                     |
| 8,387                    | -  | 39                           | 18,463                                      |
| -                        | -  | -                            | 133   |
| -                        | -  | (3,645)                      | (3,645)                                     |
| <u>7,931</u>             | <u>(59,960)</u>                          | <u>48,649</u>                | <u>8,857</u>                                |
| <u>185,189</u>           | <u>59,960</u>                            | <u>380,636</u>               | <u>908,541</u>                              |
| <u>\$ 193,120</u>        | <u>\$ -</u>                              | <u>\$ 429,285</u>            | <u>\$ 917,398</u>                           |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Other Agencies Enterprise Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 4.33

|  | Alcoholism and<br>Drug Abuse<br>Revolving Loan | Agricultural<br>Revolving Loan | Alaska<br>Clean Water |
|--|--|--------------------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |                                |                       |
| Receipts from Other Governments  | \$ -   | \$ -                           | \$ 213                |
| Receipts of Principal from Loan Recipients   | -  | 1,992                          | 9,991                 |
| Receipt of Interest and Fees from Loan Recipients  | -  | 509                            | 1,899                 |
| Receipts from Insured  | -  | -                              | -                     |
| Payments to Employees  | -  | (266)                          | (172)                 |
| Payments to Suppliers  | -  | (113)                          | (84)                  |
| Payments to Loan Recipients  | -  | (579)                          | (23,452)              |
| Claims Paid  | -  | -                              | -                     |
| Payments for Interfund Services Used   | -  | -                              | -                     |
| Other Receipts   | -  | 37                             | -                     |
| Other Payments   | -  | (75)                           | -                     |
| Net Cash Provided (Used) by Operating Activities   | -  | 1,505                          | (11,605)              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |  |                                |                       |
| Operating Subsidies and Transfers (Out to) Other Funds   | -  | (167)                          | (458)                 |
| Operating Subsidies and Transfers In from Other Funds  | -  | 133                            | -                     |
| Proceeds from Issuance of Short-term Debt  | -  | -                              | 1,594                 |
| Payments on Short-term Debt  | -  | -                              | (1,594)               |
| Interest and Fees Paid on Borrowing  | -  | -                              | (2)                   |
| Net Cash Provided (Used) by Noncapital Financing Activities  | -  | (34)                           | (460)                 |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |  |                                |                       |
| Capital Contributions  | -  | -                              | -                     |
| Federal Grants   | -  | -                              | 10,037                |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                   | -  | -                              | 10,037                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |                                |                       |
| Proceeds from Sales/Maturities of Investments  | -  | 11                             | -                     |
| Interest and Dividends on Investments  | 1  | -                              | 544                   |
| Net Cash Provided (Used) by Investing Activities   | 1  | 11                             | 544                   |
| Net Increase (Decrease) in Cash  | 1  | 1,482                          | (1,484)               |
| Cash and Cash Equivalents - Beginning of Year  | 220  | 7,489                          | 119,695               |
| Cash and Cash Equivalents - End of Year  | \$ 221   | \$ 8,971                       | \$ 118,211            |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>  |  |                                |                       |
| Operating Income (Loss)  | \$ -   | \$ 123                         | \$ 2,012              |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:         |  |                                |                       |
| Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: |  |                                |                       |
| Accounts Receivable - Net  | -  | 3                              | (122)                 |
| Due From Other Funds   | -  | (32)                           | -                     |
| Due From Other Governments   | -  | -                              | -                     |
| Loans, Notes and Bonds Receivable - Net  | -  | 1,380                          | (13,461)              |
| Repossessed Property   | -  | 20                             | -                     |
| Interest and Dividends Receivable - Net  | -  | (12)                           | (247)                 |
| Other Assets   | -  | 30                             | -                     |
| Deferred Outflows of Resources   | -  | (122)                          | -                     |
| Due to Other Funds   | -  | 7                              | 190                   |
| Due to Other Governments   | -  | -                              | -                     |
| Accounts Payable and Accrued Liabilities   | -  | 58                             | 23                    |
| Net Pension Liability  | -  | (70)                           | -                     |
| Other Liabilities  | -  | 44                             | -                     |
| Deferred Inflows of Resources  | -  | 76                             | -                     |
| Net Cash Provided (Used) by Operating Activities   | \$ -   | \$ 1,505                       | \$ (11,605)           |
| <b>Reconciliation of Cash to the Statement of Net Position:</b>  |  |                                |                       |
| Total Cash and Investments per the Statement of Net Position   | \$ 221   | \$ 8,971                       | \$ 118,211            |
| Cash, End of Year  | \$ 221   | \$ 8,971                       | \$ 118,211            |
| <b>Noncash investing, Capital, and Financing Activities:</b>   |  |                                |                       |
| Capital Assets Transferred to Primary Government   | -  | -                              | -                     |

## STATEMENT 4.33

| Alaska<br>Drinking Water | Knik Arm<br>Bridge and Toll<br>Authority | Unemployment<br>Compensation | Total Other<br>Agencies<br>Enterprise Funds |
|--------------------------|--|------------------------------|---|
| \$ 373                   | \$ -                                     | \$ -                         | \$ 586                                      |
| 9,130                    | -  | -                            | 21,113                                      |
| 1,871                    | -  | -                            | 4,279                                       |
| -                        | -  | 185,704                      | 185,704                                     |
| (214)                    | (91)                                     | -                            | (743)                                       |
| (93)                     | (68)                                     | -                            | (358)                                       |
| (8,959)                  | -  | -                            | (32,990)                                    |
| -                        | -  | (141,108)                    | (141,108)                                   |
| -                        | (2)                                      | -                            | (2)   |
| -                        | -  | 235                          | 272   |
| -                        | -  | -                            | (75)  |
| <u>2,108</u>             | <u>(161)</u>                             | <u>44,831</u>                | <u>36,678</u>                               |
| (2,138)                  | -  | (3,645)                      | (6,408)                                     |
| -                        | 161                                      | -                            | 294   |
| 1,684                    | -  | -                            | 3,278                                       |
| (1,684)                  | -  | -                            | (3,278)                                     |
| (2)                      | -  | -                            | (4)   |
| <u>(2,140)</u>           | <u>161</u>                               | <u>(3,645)</u>               | <u>(6,118)</u>                              |
| -                        | -  | 39                           | 39  |
| <u>8,387</u>             | <u>-</u>                                 | <u>-</u>                     | <u>18,424</u>                               |
| <u>8,387</u>             | <u>-</u>                                 | <u>39</u>                    | <u>18,463</u>                               |
| -                        | -  | -                            | 11  |
| <u>260</u>               | <u>-</u>                                 | <u>9,481</u>                 | <u>10,286</u>                               |
| <u>260</u>               | <u>-</u>                                 | <u>9,481</u>                 | <u>10,297</u>                               |
| 8,615                    | -  | 50,706                       | 59,320                                      |
| 52,707                   | -  | 365,596                      | 545,707                                     |
| <u>\$ 61,322</u>         | <u>\$ -</u>                              | <u>\$ 416,302</u>            | <u>\$ 605,027</u>                           |
| \$ 1,425                 | \$ (159)                                 | \$ 42,774                    | \$ 46,175                                   |
| 46                       | -  | 1,859                        | 1,786                                       |
| 53                       | -  | (17)                         | 4   |
| -                        | -  | 99                           | 99  |
| 172                      | -  | -                            | (11,909)                                    |
| -                        | -  | -                            | 20  |
| 92                       | -  | -                            | (167)                                       |
| -                        | -  | -                            | 30  |
| -                        | -  | -                            | (122)                                       |
| 308                      | -  | (429)                        | 76  |
| -                        | -  | (1,078)                      | (1,078)                                     |
| 12                       | (2)                                      | 1,283                        | 1,374                                       |
| -                        | -  | -                            | (70)  |
| -                        | -  | 340                          | 384   |
| -                        | -  | -                            | 76  |
| <u>\$ 2,108</u>          | <u>\$ (161)</u>                          | <u>\$ 44,831</u>             | <u>\$ 36,678</u>                            |
| \$ 61,322                | \$ -                                     | \$ 416,302                   | \$ 605,027                                  |
| <u>\$ 61,322</u>         | <u>\$ -</u>                              | <u>\$ 416,302</u>            | <u>\$ 605,027</u>                           |
| -                        | (59,960)                                 | -                            | (59,960)                                    |



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# Internal Service Funds

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

- **Alaska Public Building Fund (Fund 11165)** – AS 37.05.570 – Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of ten state owned buildings and two parking facilities. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.
- **Group Health and Life Benefits Fund (Fund 11135)** – AS 39.30.095 – Administered by the Department of Administration. Effective July 1, 1997, the State began a self-insurance program to provide health care coverage for state employees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for employees and accounts for transactions pertaining to the self-insurance program.
- **Highways Equipment Working Capital Fund (Fund 22652)** – AS 44.68.210 – Administered by the Department of Transportation and Public Facilities. This fund is used for necessary expenses resulting from the centralization of equipment maintenance and for the operation of supply depots.
- **Information Services Fund (Fund 22500)** – AS 44.21.045 – During the 1990 Legislative Session, the Legislature established the Information Services Fund (ISF) in the Department of Administration and classified it as an internal service fund. The ISF is used to account for the operation and financing of computing and telecommunication services for the State of Alaska. Included in these services is operation of the State's mainframe computer; the statewide consolidated data network; the telephone system in Juneau, Anchorage, and Fairbanks; and the microwave communications infrastructure.



**STATE OF ALASKA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 4.41**

|   | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|---|-----------------------------------|---------------------------|
| <b>ASSETS</b>   |                                   |                           |
| Current Assets:   |                                   |                           |
| Cash and Investments  | \$ 30,808                         | \$ 9,893                  |
| Accounts Receivable - Net   | -                                 | 174                       |
| Due from Other Funds  | 2,182                             | 1,829                     |
| Inventories   | -                                 | -                         |
| Other Current Assets  | 931                               | 1                         |
| Total Current Assets  | <u>33,921</u>                     | <u>11,897</u>             |
| Noncurrent Assets:  |                                   |                           |
| Capital Assets:   |                                   |                           |
| Equipment, Net of Depreciation  | -                                 | 630                       |
| Buildings, Net of Depreciation  | -                                 | 107,411                   |
| Construction in Progress  | -                                 | 21,330                    |
| Total Noncurrent Assets   | <u>-</u>                          | <u>129,371</u>            |
| Total Assets  | <u>33,921</u>                     | <u>141,268</u>            |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |                                   |                           |
| Deferred Outflows Related to Pensions                                 | -                                 | 320                       |
| Total Deferred Outflows of Resources                                  | <u>-</u>                          | <u>320</u>                |
| <b>LIABILITIES</b>  |                                   |                           |
| Current Liabilities:  |                                   |                           |
| Accounts Payable and Accrued Liabilities                              | 16,947                            | 877                       |
| Due to Other Funds  | 2,212                             | -                         |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | 9                                 | 114                       |
| Notes, Bonds, and Leases Payable                                      | -                                 | -                         |
| Total Current Liabilities   | <u>19,168</u>                     | <u>991</u>                |
| Noncurrent Liabilities:   |                                   |                           |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -                                 | -                         |
| Notes, Bonds, and Leases Payable                                      | -                                 | -                         |
| Net Pension Liabilities   | -                                 | 1,162                     |
| Total Noncurrent Liabilities  | <u>-</u>                          | <u>1,162</u>              |
| Total Liabilities   | <u>19,168</u>                     | <u>2,153</u>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                                   |                           |
| Deferred Inflows Related to Pensions                                  | -                                 | 141                       |
| Total Deferred Inflows of Resources                                   | <u>-</u>                          | <u>141</u>                |
| <b>NET POSITION</b>   |                                   |                           |
| Net Investment in Capital Assets                                      | -                                 | 129,371                   |
| Unrestricted  | 14,753                            | 9,923                     |
| Total Net Position  | <u>\$ 14,753</u>                  | <u>\$ 139,294</u>         |

**STATEMENT 4.41**

| Information<br>Services | Highways Equipment<br>Working Capital | Total Internal<br>Service Funds |
|-------------------------|---------------------------------------|---------------------------------|
| \$ 11,431               | \$ 72,486                             | \$ 124,618                      |
| 13                      | 830                                   | 1,017                           |
| 3,447                   | 5,237                                 | 12,695                          |
| -                       | 3,923                                 | 3,923                           |
| 4,055                   | 1,595                                 | 6,582                           |
| <u>18,946</u>           | <u>84,071</u>                         | <u>148,835</u>                  |
| 51,580                  | 136,016                               | 188,226                         |
| -                       | -                                     | 107,411                         |
| 811                     | -                                     | 22,141                          |
| <u>52,391</u>           | <u>136,016</u>                        | <u>317,778</u>                  |
| <u>71,337</u>           | <u>220,087</u>                        | <u>466,613</u>                  |
| 6,113                   | 6,281                                 | 12,714                          |
| <u>6,113</u>            | <u>6,281</u>                          | <u>12,714</u>                   |
| 1,329                   | 1,827                                 | 20,980                          |
| -                       | -                                     | 2,212                           |
| 1,371                   | 1,391                                 | 2,885                           |
| -                       | 2,070                                 | 2,070                           |
| <u>2,700</u>            | <u>5,288</u>                          | <u>28,147</u>                   |
| 266                     | 422                                   | 688                             |
| -                       | 8,071                                 | 8,071                           |
| <u>22,217</u>           | <u>22,822</u>                         | <u>46,201</u>                   |
| <u>22,483</u>           | <u>31,315</u>                         | <u>54,960</u>                   |
| <u>25,183</u>           | <u>36,603</u>                         | <u>83,107</u>                   |
| 2,697                   | 2,771                                 | 5,609                           |
| <u>2,697</u>            | <u>2,771</u>                          | <u>5,609</u>                    |
| 52,391                  | 125,875                               | 307,637                         |
| (2,821)                 | 61,119                                | 82,974                          |
| <u>\$ 49,570</u>        | <u>\$ 186,994</u>                     | <u>\$ 390,611</u>               |

**STATE OF ALASKA****STATEMENT 4.42****Combining Statement of Revenues, Expenses, and Changes in Fund Net Position****Internal Service Funds****For the Fiscal Year Ended June 30, 2015****(Stated in Thousands)**

|   | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|---|-----------------------------------|---------------------------|
| <b>OPERATING REVENUES</b>                         |                                   |                           |
| Premiums and Contributions                        | \$ 123,247                        | \$ -                      |
| Charges for Goods and Services                    | -                                 | 16,114                    |
| Other Operating Revenues                          | 1,616                             | -                         |
| Total Operating Revenues                          | 124,863                           | 16,114                    |
| <b>OPERATING EXPENSES</b>                         |                                   |                           |
| Benefits  | 121,448                           | -                         |
| Operating   | 5,464                             | 11,690                    |
| Depreciation                                      | -                                 | 5,949                     |
| Total Operating Expenses                          | 126,912                           | 17,639                    |
| Operating Income (Loss)                           | (2,049)                           | (1,525)                   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                                   |                           |
| Interest and Investment Income                    | 170                               | -                         |
| Interest and Investment Expense                   | -                                 | (1)                       |
| Gain (Loss) on Disposal of Capital Assets         | -                                 | (957)                     |
| Other Nonoperating Revenues (Expenses)            | -                                 | -                         |
| Total Nonoperating Revenues (Expenses)            | 170                               | (958)                     |
| Income Before Capital Contributions and Transfers | (1,879)                           | (2,483)                   |
| Capital Contributions                             | -                                 | 13,876                    |
| Transfers In from Other Funds                     | -                                 | 341                       |
| Change in Net Position                            | (1,879)                           | 11,734                    |
| Total Net Position - Beginning of Year (restated) | 16,632                            | 127,560                   |
| Total Net Position - End of Year                  | \$ 14,753                         | \$ 139,294                |



# STATEMENT 4.42

| Information<br>Services | Highways<br>Equipment<br>Working Capital | Total Internal<br>Service<br>Funds |
|-------------------------|--|------------------------------------|
| \$ -                    | \$ -                                     | \$ 123,247                         |
| 36,620                  | 60,616                                   | 113,350                            |
| 22                      | -  | 1,638                              |
| <u>36,642</u>           | <u>60,616</u>                            | <u>238,235</u>                     |
| -                       | -  | 121,448                            |
| 46,016                  | 33,282                                   | 96,452                             |
| 8,871                   | 18,228                                   | 33,048                             |
| <u>54,887</u>           | <u>51,510</u>                            | <u>250,948</u>                     |
| <u>(18,245)</u>         | <u>9,106</u>                             | <u>(12,713)</u>                    |
| -                       | -  | 170                                |
| -                       | (66)                                     | (67)                               |
| -                       | (71)                                     | (1,028)                            |
| -                       | 122                                      | 122                                |
| -                       | (15)                                     | (803)                              |
| <u>(18,245)</u>         | <u>9,091</u>                             | <u>(13,516)</u>                    |
| 1,098                   | 5,722                                    | 20,696                             |
| <u>17,893</u>           | <u>4,874</u>                             | <u>23,108</u>                      |
| 746                     | 19,687                                   | 30,288                             |
| 48,824                  | 167,307                                  | 360,323                            |
| <u>\$ 49,570</u>        | <u>\$ 186,994</u>                        | <u>\$ 390,611</u>                  |

STATE OF ALASKA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 4.43

|  | Group Health<br>and Life Benefits | Alaska Public<br>Building |
|--|-----------------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                   |                           |
| Receipts from Other Governments  | \$ -                              | \$ -                      |
| Receipts from Customers  | -                                 | 229                       |
| Receipts for Interfund Services Provided   | -                                 | 14,109                    |
| Receipts from Insured  | 123,246                           | -                         |
| Payments to Employees  | (132)                             | (2,152)                   |
| Payments to Suppliers  | (6,427)                           | (9,059)                   |
| Claims Paid  | (122,004)                         | -                         |
| Payments for Interfund Services Used   | -                                 | (1,406)                   |
| Other Receipts   | 1,618                             | -                         |
| Other Payments   | -                                 | -                         |
| Net Cash Provided (Used) by Operating Activities   | (3,699)                           | 1,721                     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |                                   |                           |
| Operating Subsidies and Transfers In from Other Funds  | -                                 | 341                       |
| Net Cash Provided (Used) by Noncapital Financing Activities  | -                                 | 341                       |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                                   |                           |
| Proceeds from Sale of Capital Assets   | -                                 | -                         |
| Acquisition and Construction of Capital Assets   | -                                 | (3,339)                   |
| Proceeds from Capital Debt   | -                                 | -                         |
| Principal Paid on Capital Debt   | -                                 | -                         |
| Capital Lease Payments (and Interest)  | -                                 | -                         |
| Other Receipts (Payments)  | -                                 | (1)                       |
| Net Cash Provided (Used) by Capital and Related Financing Activities                                   | -                                 | (3,340)                   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                   |                           |
| Interest and Dividends on Investments  | 170                               | -                         |
| Net Cash Provided (Used) by Investing Activities   | 170                               | -                         |
| Net Increase (Decrease) in Cash  | (3,529)                           | (1,278)                   |
| Cash and Cash Equivalents - Beginning of Year  | 34,337                            | 11,171                    |
| Cash and Cash Equivalents - End of Year  | \$ 30,808                         | \$ 9,893                  |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>  |                                   |                           |
| Operating Income (Loss)  | \$ (2,049)                        | \$ (1,525)                |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:         |                                   |                           |
| Depreciation and Amortization  | -                                 | 5,949                     |
| Net Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources: |                                   |                           |
| Accounts Receivable - Net  | -                                 | 53                        |
| Due from Other Funds   | (2,182)                           | (1,829)                   |
| Inventories  | -                                 | -                         |
| Other Assets   | 676                               | 1                         |
| Deferred Outflows of Resources   | -                                 | (221)                     |
| Due to Other Funds   | 1,352                             | (404)                     |
| Accounts Payable and Accrued Liabilities   | (1,496)                           | (297)                     |
| Net Pension Liability  | -                                 | (130)                     |
| Other Liabilities  | -                                 | (17)                      |
| Deferred Inflows of Resources  | -                                 | 141                       |
| Net Cash Provided (Used) by Operating Activities   | \$ (3,699)                        | \$ 1,721                  |
| <b>Reconciliation of Cash to the Statement of Net Position:</b>  |                                   |                           |
| Total Cash and Investments per the Statement of Net Position   | \$ 30,808                         | \$ 9,893                  |
| Cash, End of Year  | \$ 30,808                         | \$ 9,893                  |
| <b>Noncash Investing, Capital, and Financing Activities:</b>   |                                   |                           |
| Contributed Capital Assets   | -                                 | 13,876                    |

STATEMENT 4.43

| Information<br>Services | Highways<br>Equipment<br>Working Capital | Total Internal<br>Service<br>Funds |
|-------------------------|--|------------------------------------|
| \$ 141                  | \$ -                                     | \$ 141                             |
| 77                      | -  | 306                                |
| 35,270                  | 58,774                                   | 108,153                            |
| -                       | -  | 123,246                            |
| (19,061)                | (17,582)                                 | (38,927)                           |
| (30,107)                | (18,745)                                 | (64,338)                           |
| -                       | -  | (122,004)                          |
| (2,430)                 | -  | (3,836)                            |
| -                       | -  | 1,618                              |
| -                       | (946)                                    | (946)                              |
| (16,110)                | 21,501                                   | 3,413                              |
| 17,893                  | 4,874                                    | 23,108                             |
| 17,893                  | 4,874                                    | 23,108                             |
| -                       | 2,063                                    | 2,063                              |
| (1,274)                 | (18,625)                                 | (23,238)                           |
| -                       | 7,471                                    | 7,471                              |
| -                       | (630)                                    | (630)                              |
| -                       | (66)                                     | (66)                               |
| -                       | 122                                      | 121                                |
| (1,274)                 | (9,665)                                  | (14,279)                           |
| -                       | -  | 170                                |
| -                       | -  | 170                                |
| 509                     | 16,710                                   | 12,412                             |
| 10,922                  | 55,776                                   | 112,206                            |
| \$ 11,431               | \$ 72,486                                | \$ 124,618                         |
| \$ (18,245)             | \$ 9,106                                 | \$ (12,713)                        |
| 8,871                   | 18,228                                   | 33,048                             |
| 10                      | (695)                                    | (632)                              |
| (1,164)                 | (1,147)                                  | (6,322)                            |
| -                       | (121)                                    | (121)                              |
| (1,690)                 | 475                                      | (538)                              |
| (4,230)                 | (4,439)                                  | (8,890)                            |
| -                       | -  | 948                                |
| 158                     | (121)                                    | (1,756)                            |
| (2,486)                 | (2,556)                                  | (5,172)                            |
| (31)                    | -  | (48)                               |
| 2,697                   | 2,771                                    | 5,609                              |
| \$ (16,110)             | \$ 21,501                                | \$ 3,413                           |
| \$ 11,431               | \$ 72,486                                | \$ 124,618                         |
| \$ 11,431               | \$ 72,486                                | \$ 124,618                         |
| 1,098                   | 5,722                                    | 20,696                             |



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# Fiduciary Funds

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Trust and agency funds are fiduciary in nature and are maintained to account for assets held by the State acting in the capacity as a trustee or agent. The following are the State's trust and agency funds.

## **PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS**

- **Alaska National Guard and Alaska Naval Militia Retirement System (Fund 35030)** – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- **Deferred Compensation (Fund 32014)** – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the State's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- **Judicial Retirement System (Fund 35003)** – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- **Public Employees' Retirement System (Fund 35006)** – AS 39.35.095-680, AS 39.35.700-990 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- **Retiree Health (Fund 11159)** – AS 39.35.535, AS 14.25.168, AS 22.25.090 – Administered by the Department of Administration. The State began a self-insurance program to provide health care coverage for retirees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for retirees and accounts for transactions pertaining to the self-insurance program.
- **Supplemental Benefits System (Fund 35043)** – AS 39.30.150 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Supplemental Benefits System.
- **Teachers' Retirement System (Fund 35015)** – AS 14.25.009-220, AS 14.25.310-590 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Teachers' Retirement System.

## **AGENCY FUNDS**

- **Deposits, Suspense, and Miscellaneous (Fund 32005)** – Administered by the Department of Administration. This fund is used to account for refundable deposits and other receipts held in trust until the State has the right to transfer them to operating funds, or until there is a proper authorization to disburse them directly to others.
- **Exxon Valdez Oil Spill Investment Trust Fund (Fund 32025)** – PL 106-113 – Administered by the Exxon Valdez Oil Spill (EVOS) Trustee Council. Consists of assets of a joint federal/state trust fund established to receive, hold, disburse, and manage all natural resource damage recoveries obtained by the United States government and the State of Alaska under the Clean Water Act, arising out of the Exxon Valdez oil spill.
- **Impact Aid (Fund 32017)** – PL 103-382 – Administered by the Department of Education and Early Development. These monies are received from the federal government and are distributed to the local school districts. The funds provide financial assistance to local school districts where enrollment or availability of revenue is adversely affected by federal activities.

- **Public Advocacy Trust Fund (Fund 32012)** – AS 44.21.410 – Administered by the Department of Administration. The Public Advocacy Trust Fund holds in trust funds for individuals under the guardianship of the Office of Public Advocacy.
- **Wage and Hour (Fund 32011)** – AS 23.05.220 - Administered by the Department of Labor and Workforce Development. This fund was established to account for receipts and disbursements for wage and hour violations.





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STATE OF ALASKA  
Combining Statement of Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 5.01

|   | Public Employees' Retirement |                              |                               |
|---|------------------------------|------------------------------|-------------------------------|
|   | Defined Benefit Pension      | Defined Contribution Pension | Other Postemployment Benefits |
| <b>ASSETS</b>                                     |                              |                              |                               |
| Cash and Cash Equivalents                         | \$ 152,381                   | \$ 24,048                    | \$ 167,869                    |
| Investments:                                      |                              |                              |                               |
| Fixed Income                                      | 1,020,106                    | -                            | 858,802                       |
| Domestic Equities                                 | 2,332,498                    | -                            | 1,963,668                     |
| International Equities                            | 2,133,095                    | -                            | 1,795,795                     |
| Alternative Equity Strategies                     | 319,427                      | -                            | 268,916                       |
| Private Equity Pool                               | 660,680                      | -                            | 556,208                       |
| Absolute Return Pool                              | 488,352                      | -                            | 411,130                       |
| Real Assets                                       | 1,479,951                    | -                            | 1,244,460                     |
| Collective Investment Funds                       | -                            | 281,180                      | -                             |
| Pooled Investment Funds                           | -                            | 301,188                      | -                             |
| Synthetic Investment Contracts                    | -                            | -                            | -                             |
| Investment Loss Trust Fund Assets                 | -                            | -                            | -                             |
| Accounts Receivable - Net                         | 213                          | 6                            | -                             |
| Contributions Receivable                          | 27,517                       | 628                          | 1,600                         |
| Interest and Dividends Receivable                 | -                            | -                            | -                             |
| Due from Other Funds                              | 5,332                        | 5,162                        | 6,718                         |
| Other Assets                                      | 17                           | -                            | 2,093                         |
| Total Assets                                      | <u>8,619,569</u>             | <u>612,212</u>               | <u>7,277,259</u>              |
| <b>LIABILITIES</b>                                |                              |                              |                               |
| Accounts Payable and Accrued Liabilities          | 10,608                       | 205                          | 2,337                         |
| Forfeiture Payable to Employer                    | -                            | 22,545                       | -                             |
| Claims Payable                                    | -                            | -                            | 46,147                        |
| Due to Other Funds                                | 2,099                        | -                            | 9,756                         |
| Total Liabilities                                 | <u>12,707</u>                | <u>22,750</u>                | <u>58,240</u>                 |
| <b>NET POSITION</b>                               |                              |                              |                               |
| Held in Trust for:                                |                              |                              |                               |
| Pension Benefits                                  | 8,606,862                    | -                            | -                             |
| Postemployment Benefits                           | -                            | -                            | 7,219,019                     |
| Individuals, Organizations, and Other Governments | -                            | 589,462                      | -                             |
| Total Net Position                                | <u>\$ 8,606,862</u>          | <u>\$ 589,462</u>            | <u>\$ 7,219,019</u>           |



STATEMENT 5.01

| Defined Benefit<br>Pension | Teachers' Retirement            |                                  |
|----------------------------|---------------------------------|----------------------------------|
|                            | Defined Contribution<br>Pension | Other Postemployment<br>Benefits |
| \$ 90,096                  | \$ 7,649                        | \$ 61,374                        |
| 623,177                    | -                               | 317,532                          |
| 1,424,910                  | -                               | 726,043                          |
| 1,303,096                  | -                               | 663,975                          |
| 195,136                    | -                               | 99,428                           |
| 403,605                    | -                               | 205,652                          |
| 298,331                    | -                               | 152,011                          |
| 904,094                    | -                               | 460,124                          |
| -                          | 117,709                         | -                                |
| -                          | 132,377                         | -                                |
| -                          | -                               | -                                |
| -                          | -                               | -                                |
| 87                         | -                               | -                                |
| 3,912                      | 54                              | 73                               |
| -                          | -                               | -                                |
| 4,718                      | 2,127                           | 1,953                            |
| -                          | -                               | 711                              |
| <u>5,251,162</u>           | <u>259,916</u>                  | <u>2,688,876</u>                 |
| 3,985                      | 76                              | 687                              |
| -                          | 7,592                           | -                                |
| -                          | -                               | 14,451                           |
| 222                        | -                               | 4,203                            |
| <u>4,207</u>               | <u>7,668</u>                    | <u>19,341</u>                    |
| 5,246,955                  | -                               | -                                |
| -                          | -                               | 2,669,535                        |
| -                          | 252,248                         | -                                |
| <u>\$ 5,246,955</u>        | <u>\$ 252,248</u>               | <u>\$ 2,669,535</u>              |

This statement continued on the next page.

STATE OF ALASKA  
Combining Statement of Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
June 30, 2015  
(Stated in Thousands)

STATEMENT 5.01

|   | Judicial Retirement |                                  | Alaska National<br>Guard and Alaska<br>Naval Militia<br>Retirement |
|---|---------------------|----------------------------------|--|
|   | Pension             | Other Postemployment<br>Benefits |  |
| <b>ASSETS</b>                                     |                     |                                  |  |
| Cash and Cash Equivalents                         | \$ 2,684            | \$ 646                           | \$ 1,173   |
| Investments:                                      |                     |                                  |  |
| Fixed Income                                      | 17,072              | 3,215                            | 17,921   |
| Domestic Equities                                 | 39,036              | 7,352                            | 10,501   |
| International Equities                            | 35,699              | 6,723                            | 7,350  |
| Alternative Equity Strategies                     | 5,346               | 1,007                            | -  |
| Private Equity Pool                               | 11,057              | 2,083                            | -  |
| Absolute Return Pool                              | 8,173               | 1,539                            | -  |
| Real Assets                                       | 24,768              | 4,659                            | -  |
| Collective Investment Funds                       | -                   | -                                | -  |
| Pooled Investment Funds                           | -                   | -                                | -  |
| Synthetic Investment Contracts                    | -                   | -                                | -  |
| Investment Loss Trust Fund Assets                 | -                   | -                                | -  |
| Accounts Receivable - Net                         | 2                   | -                                | -  |
| Contributions Receivable                          | 236                 | 22                               | -  |
| Interest and Dividends Receivable                 | -                   | -                                | -  |
| Due from Other Funds                              | 193                 | 15                               | 24   |
| Other Assets                                      | -                   | 6                                | -  |
| Total Assets                                      | <u>144,266</u>      | <u>27,267</u>                    | <u>36,969</u>  |
| <b>LIABILITIES</b>                                |                     |                                  |  |
| Accounts Payable and Accrued Liabilities          | 105                 | 3                                | 53   |
| Forfeiture Payable to Employer                    | -                   | -                                | -  |
| Claims Payable                                    | -                   | 58                               | -  |
| Due to Other Funds                                | 1                   | 64                               | 36   |
| Total Liabilities                                 | <u>106</u>          | <u>125</u>                       | <u>89</u>  |
| <b>NET POSITION</b>                               |                     |                                  |  |
| Held in Trust for:                                |                     |                                  |  |
| Pension Benefits                                  | 144,160             | -                                | 36,880   |
| Postemployment Benefits                           | -                   | 27,142                           | -  |
| Individuals, Organizations, and Other Governments | -                   | -                                | -  |
| Total Net Position                                | <u>\$ 144,160</u>   | <u>\$ 27,142</u>                 | <u>\$ 36,880</u>   |

STATEMENT 5.01

| Deferred<br>Compensation | Supplemental<br>Benefits | Retiree<br>Health | Total Pension<br>and Other<br>Employee Benefit<br>Trust Funds |
|--------------------------|--------------------------|-------------------|---|
| \$ 464                   | \$ 1,778                 | \$ 39,151         | \$ 549,313  |
| -                        | -                        | 240,324           | 3,098,149   |
| -                        | -                        | 96,611            | 6,600,619   |
| -                        | -                        | 49,573            | 5,995,306   |
| -                        | -                        | -                 | 889,260   |
| -                        | -                        | -                 | 1,839,285   |
| -                        | -                        | -                 | 1,359,536   |
| -                        | -                        | -                 | 4,118,056   |
| 500,303                  | 927,881                  | -                 | 1,827,073   |
| 127,850                  | 2,122,935                | -                 | 2,684,350   |
| 185,430                  | 351,754                  | -                 | 537,184   |
| -                        | 1,940                    | -                 | 1,940   |
| 42                       | 335                      | -                 | 685   |
| 2,002                    | 7,610                    | -                 | 43,654  |
| -                        | -                        | 4                 | 4   |
| 90                       | 391                      | 377               | 27,100  |
| -                        | -                        | 1,275             | 4,102   |
| 816,181                  | 3,414,624                | 427,315           | 29,575,616  |
| 220                      | 2,039                    | 300               | 20,618  |
| -                        | -                        | -                 | 30,137  |
| -                        | 1,972                    | 30,616            | 93,244  |
| 182                      | 624                      | 1,099             | 18,286  |
| 402                      | 4,635                    | 32,015            | 162,285   |
| -                        | -                        | -                 | 14,034,857  |
| -                        | -                        | 395,300           | 10,310,996  |
| 815,779                  | 3,409,989                | -                 | 5,067,478   |
| \$ 815,779               | \$ 3,409,989             | \$ 395,300        | \$ 29,413,331   |

## STATE OF ALASKA

## STATEMENT 5.02

Combining Statement of Changes in Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

|   | Public Employees' Retirement |                                 |                                  |
|---|------------------------------|---------------------------------|----------------------------------|
|   | Defined Benefit<br>Pension   | Defined Contribution<br>Pension | Other Postemployment<br>Benefits |
| <b>ADDITIONS</b>  |                              |                                 |                                  |
| Premiums and Contributions:                                       |                              |                                 |                                  |
| Employer  | \$ 226,136                   | \$ 38,949                       | \$ 218,796                       |
| Member  | 100,036                      | 70,462                          | 670                              |
| Other   | 1,000,000                    | -                               | -                                |
| Total Premiums and Contributions                                  | 1,326,172                    | 109,411                         | 219,466                          |
| Investment Income:  |                              |                                 |                                  |
| Net Appreciation (Depreciation) in Fair<br>Value of Investments   | 121,302                      | 12,998                          | 99,694                           |
| Interest  | 31,908                       | 43                              | 27,631                           |
| Dividends   | 118,826                      | -                               | 103,337                          |
| Total Investment Income   | 272,036                      | 13,041                          | 230,662                          |
| Less Investment Expense   | 18,725                       | 1,110                           | 16,288                           |
| Net Investment Income   | 253,311                      | 11,931                          | 214,374                          |
| Other Additions   |                              |                                 |                                  |
| Other   | 36                           | 1                               | 46,983                           |
| Total Additions   | 1,579,519                    | 121,343                         | 480,823                          |
| <b>DEDUCTIONS</b>   |                              |                                 |                                  |
| Benefits Paid   | 686,493                      | -                               | 362,293                          |
| Refunds of Premiums and Contributions                             | 10,049                       | 24,067                          | -                                |
| Administrative Expenses   | 7,553                        | 2,487                           | 14,698                           |
| Total Deductions  | 704,095                      | 26,554                          | 376,991                          |
| <b>Net Increase (Decrease) in Net Position Held in Trust for:</b> |                              |                                 |                                  |
| Pension Benefits  | 875,424                      | -                               | -                                |
| Postemployment Benefits   | -                            | -                               | 103,832                          |
| Individuals, Organizations, and Other Governments                 | -                            | 94,789                          | -                                |
| Net Position - Beginning of the Year                              | 7,731,438                    | 494,673                         | 7,115,187                        |
| Net Position - End of the Year                                    | \$ 8,606,862                 | \$ 589,462                      | \$ 7,219,019                     |

STATEMENT 5.02

| Defined Benefit<br>Pension | Teachers' Retirement            |                                  |
|----------------------------|---------------------------------|----------------------------------|
|                            | Defined Contribution<br>Pension | Other Postemployment<br>Benefits |
| \$ 36,374                  | \$ 17,863                       | \$ 41,012                        |
| 45,506                     | 22,269                          | 227                              |
| 1,662,700                  | -                               | 337,300                          |
| 1,744,580                  | 40,132                          | 378,539                          |
| 75,069                     | 5,550                           | 37,219                           |
| 18,195                     | 15                              | 9,769                            |
| 68,442                     | -                               | 36,747                           |
| 161,706                    | 5,565                           | 83,735                           |
| 9,145                      | 745                             | 5,227                            |
| 152,561                    | 4,820                           | 78,508                           |
| 9                          | -                               | 15,432                           |
| 1,897,150                  | 44,952                          | 472,479                          |
| 416,354                    | -                               | 109,740                          |
| 2,191                      | 7,041                           | -                                |
| 2,789                      | 931                             | 5,523                            |
| 421,334                    | 7,972                           | 115,263                          |
| 1,475,816                  | -                               | -                                |
| -                          | -                               | 357,216                          |
| -                          | 36,980                          | -                                |
| 3,771,139                  | 215,268                         | 2,312,319                        |
| \$ 5,246,955               | \$ 252,248                      | \$ 2,669,535                     |

This statement continued on next page.

## STATE OF ALASKA

## STATEMENT 5.02

Combining Statement of Changes in Fiduciary Net Position  
Pension and Other Employee Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

|   | Judicial Retirement |            | Alaska National<br>Guard and Alaska<br>Naval Militia<br>Retirement |
|---|---------------------|------------|--|
|   | Pension             | Healthcare |  |
| <b>ADDITIONS</b>  |                     |            |  |
| Premiums and Contributions:                                       |                     |            |  |
| Employer  | \$ 4,981            | \$ 520     | \$ 627   |
| Member  | 811                 | -          | -  |
| Other   | 5,242               | -          | -  |
| Total Premiums and Contributions                                  | 11,034              | 520        | 627  |
| Investment Income:  |                     |            |  |
| Net Appreciation (Depreciation) in Fair<br>Value of Investments   | 2,075               | 375        | (122)  |
| Interest  | 553                 | 103        | 399  |
| Dividends   | 2,052               | 385        | 406  |
| Total Investment Income   | 4,680               | 863        | 683  |
| Less Investment Expense   | 331                 | 63         | 93   |
| Net Investment Income   | 4,349               | 800        | 590  |
| Other Additions   |                     |            |  |
| Other   | -                   | 148        | -  |
| Total Additions   | 15,383              | 1,468      | 1,217  |
| <b>DEDUCTIONS</b>   |                     |            |  |
| Benefits Paid   | 10,641              | 562        | 1,564  |
| Refunds of Premiums and Contributions                             | 43                  | -          | -  |
| Administrative Expenses   | 86                  | 66         | 240  |
| Total Deductions  | 10,770              | 628        | 1,804  |
| <b>Net Increase (Decrease) in Net Position Held in Trust for:</b> |                     |            |  |
| Pension Benefits  | 4,613               | -          | (587)  |
| Postemployment Benefits   | -                   | 840        | -  |
| Individuals, Organizations, and Other Governments                 | -                   | -          | -  |
| Net Position - Beginning of the Year                              | 139,547             | 26,302     | 37,467   |
| Net Position - End of the Year                                    | \$ 144,160          | \$ 27,142  | \$ 36,880  |

STATEMENT 5.02

| Deferred<br>Compensation | Supplemental<br>Benefits | Retiree<br>Health | Total Pension<br>and Other<br>Employee Benefit<br>Trust Funds |
|--------------------------|--------------------------|-------------------|---|
| \$ -                     | \$ 83,190                | \$ 1,817          | \$ 670,265  |
| 45,581                   | 91,940                   | 66,236            | 443,738   |
| 1                        | -                        | -                 | 3,005,243   |
| 45,582                   | 175,130                  | 68,053            | 4,119,246   |
| 27,854                   | 100,934                  | 3,590             | 486,538   |
| -                        | 15                       | 6,334             | 94,965  |
| -                        | -                        | 490               | 330,685   |
| 27,854                   | 100,949                  | 10,414            | 912,188   |
| 2,610                    | 8,484                    | 92                | 62,913  |
| 25,244                   | 92,465                   | 10,322            | 849,275   |
| -                        | 30                       | 364               | 63,003  |
| 70,826                   | 267,625                  | 78,739            | 5,031,524   |
| 50,600                   | 183,645                  | 54,199            | 1,876,091   |
| -                        | -                        | -                 | 43,391  |
| 1,039                    | 4,480                    | 2,592             | 42,484  |
| 51,639                   | 188,125                  | 56,791            | 1,961,966   |
| -                        | -                        | -                 | 2,355,266   |
| -                        | -                        | 21,948            | 483,836   |
| 19,187                   | 79,500                   | -                 | 230,456   |
| 796,592                  | 3,330,489                | 373,352           | 26,343,773  |
| \$ 815,779               | \$ 3,409,989             | \$ 395,300        | \$ 29,413,331   |

**STATE OF ALASKA**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2015**  
**(Stated in Thousands)**

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**STATEMENT 5.11**

|  | Deposits,<br>Suspense, and<br>Miscellaneous | Wage and<br>Hour |
|--|---|------------------|
| <b>ASSETS</b>                            |   |                  |
| Cash and Cash Equivalents                | \$ 317,104                                  | \$ 111           |
| Investments                              | -   | -                |
| Accounts Receivable - Net                | 4   | -                |
| Due from Other Funds                     | 3,925                                       | -                |
| Total Assets                             | <u>\$ 321,033</u>                           | <u>\$ 111</u>    |
| <b>LIABILITIES</b>                       |   |                  |
| Accounts Payable and Accrued Liabilities | \$ 5,030                                    | \$ 6             |
| Trust Deposits Payable                   | 314,599                                     | 105              |
| Due to Other Funds                       | 1,404                                       | -                |
| Total Liabilities                        | <u>\$ 321,033</u>                           | <u>\$ 111</u>    |



**STATEMENT 5.11**

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| Public<br>Advocacy | Exxon Valdez<br>Oil Spill<br>Investment | Impact Aid<br>PL 103-382 | Total<br>Agency<br>Funds |
|--------------------|---|--------------------------|--------------------------|
| \$ 25,370          | \$ -                                    | \$ 457                   | \$ 343,042               |
| -                  | 223,194                                 | -                        | 223,194                  |
| -                  | -                                       | -                        | 4                        |
| -                  | -                                       | -                        | 3,925                    |
| <u>\$ 25,370</u>   | <u>\$ 223,194</u>                       | <u>\$ 457</u>            | <u>\$ 570,165</u>        |
|                    |   |                          |                          |
| \$ -               | \$ -                                    | \$ -                     | \$ 5,036                 |
| 25,305             | 223,100                                 | -                        | 563,109                  |
| 65                 | 94                                      | 457                      | 2,020                    |
| <u>\$ 25,370</u>   | <u>\$ 223,194</u>                       | <u>\$ 457</u>            | <u>\$ 570,165</u>        |

**STATE OF ALASKA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 5.12**

|  | Balance<br>July 1, 2014 | Additions         | Deductions        | Balance<br>June 30, 2015 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| <b>DEPOSITS, SUSPENSE, AND MISCELLANEOUS</b> |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 305,267              | \$ 336,521        | \$ 324,684        | \$ 317,104               |
| Accounts Receivable - Net                    | 7                       | -                 | 3                 | 4                        |
| Due from Other Funds                         | 3,854                   | 3,925             | 3,854             | 3,925                    |
| Total Assets                                 | <u>\$ 309,128</u>       | <u>\$ 340,446</u> | <u>\$ 328,541</u> | <u>\$ 321,033</u>        |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities     | \$ 4,666                | \$ 108,803        | \$ 108,439        | \$ 5,030                 |
| Trust Deposits Payable                       | 297,500                 | 341,469           | 324,370           | 314,599                  |
| Due to Other Funds                           | 6,962                   | 1,410             | 6,968             | 1,404                    |
| Total Liabilities                            | <u>\$ 309,128</u>       | <u>\$ 451,682</u> | <u>\$ 439,777</u> | <u>\$ 321,033</u>        |
| <b>WAGE AND HOUR</b>                         |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 130                  | \$ 240            | \$ 259            | \$ 111                   |
| Total Assets                                 | <u>\$ 130</u>           | <u>\$ 240</u>     | <u>\$ 259</u>     | <u>\$ 111</u>            |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities     | \$ 28                   | \$ 252            | \$ 274            | \$ 6                     |
| Trust Deposits Payable                       | 102                     | 256               | 253               | 105                      |
| Total Liabilities                            | <u>\$ 130</u>           | <u>\$ 508</u>     | <u>\$ 527</u>     | <u>\$ 111</u>            |
| <b>PUBLIC ADVOCACY</b>                       |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Cash and Cash Equivalents                    | \$ 22,407               | \$ 28,381         | \$ 25,418         | \$ 25,370                |
| Total Assets                                 | <u>\$ 22,407</u>        | <u>\$ 28,381</u>  | <u>\$ 25,418</u>  | <u>\$ 25,370</u>         |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Trust Deposits Payable                       | \$ 22,343               | \$ 17,962         | \$ 15,000         | \$ 25,305                |
| Due to Other Funds                           | 64                      | 65                | 64                | 65                       |
| Total Liabilities                            | <u>\$ 22,407</u>        | <u>\$ 18,027</u>  | <u>\$ 15,064</u>  | <u>\$ 25,370</u>         |
| <b>EXXON VALDEZ OIL SPILL INVESTMENT</b>     |                         |                   |                   |                          |
| <b>ASSETS</b>                                |                         |                   |                   |                          |
| Investments                                  | \$ 222,942              | \$ 24,505         | \$ 24,253         | \$ 223,194               |
| Total Assets                                 | <u>\$ 222,942</u>       | <u>\$ 24,505</u>  | <u>\$ 24,253</u>  | <u>\$ 223,194</u>        |
| <b>LIABILITIES</b>                           |                         |                   |                   |                          |
| Trust Deposits Payable                       | \$ 222,849              | \$ 24,411         | \$ 24,160         | \$ 223,100               |
| Due to Other Funds                           | 93                      | 94                | 93                | 94                       |
| Total Liabilities                            | <u>\$ 222,942</u>       | <u>\$ 24,505</u>  | <u>\$ 24,253</u>  | <u>\$ 223,194</u>        |

This statement continued on the next page.

**STATE OF ALASKA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Stated in Thousands)**

**STATEMENT 5.12**

|  | Balance<br>July 1, 2014 | Additions         | Deductions        | Balance<br>June 30, 2015 |
|--|-------------------------|-------------------|-------------------|--------------------------|
| <u>IMPACT AID PL 103-382</u>             |                         |                   |                   |                          |
| <b>ASSETS</b>                            |                         |                   |                   |                          |
| Cash and Cash Equivalents                | \$ -                    | \$ 43,506         | \$ 43,049         | \$ 457                   |
| Total Assets                             | <u>\$ -</u>             | <u>\$ 43,506</u>  | <u>\$ 43,049</u>  | <u>\$ 457</u>            |
| <b>LIABILITIES</b>                       |                         |                   |                   |                          |
| Trust Deposits Payable                   | \$ -                    | \$ 42,322         | \$ 42,322         | \$ -                     |
| Due to Other Funds                       | -                       | 457               | -                 | 457                      |
| Total Liabilities                        | <u>\$ -</u>             | <u>\$ 42,779</u>  | <u>\$ 42,322</u>  | <u>\$ 457</u>            |
| <u>TOTAL AGENCY FUNDS</u>                |                         |                   |                   |                          |
| <b>ASSETS</b>                            |                         |                   |                   |                          |
| Cash and Cash Equivalents                | \$ 327,804              | \$ 408,648        | \$ 393,410        | \$ 343,042               |
| Investments                              | 222,942                 | 24,505            | 24,253            | 223,194                  |
| Accounts Receivable - Net                | 7                       | -                 | 3                 | 4                        |
| Due from Other Funds                     | 3,854                   | 3,925             | 3,854             | 3,925                    |
| Total Assets                             | <u>\$ 554,607</u>       | <u>\$ 437,078</u> | <u>\$ 421,520</u> | <u>\$ 570,165</u>        |
| <b>LIABILITIES</b>                       |                         |                   |                   |                          |
| Accounts Payable and Accrued Liabilities | \$ 4,694                | \$ 109,055        | \$ 108,713        | \$ 5,036                 |
| Trust Deposits Payable                   | 542,794                 | 426,420           | 406,105           | 563,109                  |
| Due to Other Funds                       | 7,119                   | 2,026             | 7,125             | 2,020                    |
| Total Liabilities                        | <u>\$ 554,607</u>       | <u>\$ 537,501</u> | <u>\$ 521,943</u> | <u>\$ 570,165</u>        |



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# Nonmajor Component Units

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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.

STATE OF ALASKA  
Combining Statement of Net Position  
Nonmajor Component Units  
June 30, 2015  
(Stated in Thousands)

STATEMENT 6.01

|   | Alaska Municipal<br>Bond Bank<br>Authority | Alaska<br>Student Loan<br>Corporation | Alaska<br>Railroad<br>Corporation | Alaska<br>Energy<br>Authority |
|---|--|---------------------------------------|-----------------------------------|-------------------------------|
| <b>ASSETS</b>   |  |                                       |                                   |                               |
| Cash and Investments  | \$ 72,690                                  | \$ 31,712                             | \$ 42,964                         | \$ -                          |
| Accounts Receivable - Net   | 76   | -                                     | 23,128                            | 2,593                         |
| Interest and Dividends Receivable                                     | 13,096                                     | 2,878                                 | -                                 | 1,048                         |
| Due from Primary Government   | -  | -                                     | 6,547                             | 10,616                        |
| Due from Other Governments  | -  | -                                     | 14,873                            | 1,384                         |
| Loans, Notes, and Bonds Receivable                                    | 927,651                                    | 61,171                                | -                                 | 6,347                         |
| Inventories   | -  | -                                     | 11,134                            | -                             |
| Restricted Assets   | -  | 317,434                               | 27,310                            | 1,167,953                     |
| Securities Lending Collateral   | -  | -                                     | -                                 | -                             |
| Other Assets  | -  | 735                                   | 20,071                            | 2                             |
| Capital Assets:   |  |                                       |                                   |                               |
| Equipment, Net of Depreciation  | -  | -                                     | 159,293                           | 178                           |
| Buildings, Net of Depreciation  | -  | -                                     | 428                               | -                             |
| Infrastructure, Net of Depreciation                                   | -  | -                                     | 694,284                           | 177,552                       |
| Land / Right-of-Way   | -  | -                                     | 35,678                            | 11,212                        |
| Construction in Progress  | -  | -                                     | 33,730                            | 179,218                       |
| Total Assets  | 1,013,513                                  | 413,930                               | 1,069,440                         | 1,558,103                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                 |  |                                       |                                   |                               |
| Deferred Charge on Bond Refundings                                    | -  | -                                     | -                                 | 91                            |
| Deferred Outflows Related to Pensions                                 | -  | -                                     | -                                 | -                             |
| Total Deferred Outflows of Resources                                  | -  | -                                     | -                                 | 91                            |
| <b>LIABILITIES</b>  |  |                                       |                                   |                               |
| Accounts Payable and Accrued Liabilities                              | 45   | 390                                   | 28,940                            | 23,449                        |
| Obligations Under Securities Lending                                  | -  | -                                     | -                                 | -                             |
| Due to Primary Government   | 212  | 1,738                                 | 7,344                             | 29,199                        |
| Due to Component Units  | -  | -                                     | -                                 | 2,881                         |
| Due to Other Governments  | -  | 853                                   | -                                 | 273                           |
| Interest Payable  | 13,080                                     | 198                                   | 2,081                             | 1,953                         |
| Other Current Liabilities   | 3,095                                      | -                                     | 948                               | -                             |
| Long-term Liabilities:  |  |                                       |                                   |                               |
| Portion Due or Payable Within One Year:                               |  |                                       | -                                 | -                             |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -  | -                                     | 477                               | -                             |
| Unearned Revenue  | -  | -                                     | 3,301                             | -                             |
| Notes, Bonds, and Leases Payable                                      | 56,455                                     | 50,513                                | 15,037                            | 8,570                         |
| Other Noncurrent Liabilities  | -  | -                                     | -                                 | 475                           |
| Portion Due or Payable After One Year:                                |  |                                       |                                   |                               |
| Claims, Judgments, Compensated Absences,<br>and Pollution Remediation | -  | -                                     | 2,140                             | -                             |
| Unearned Revenue  | -  | -                                     | -                                 | -                             |
| Notes, Bonds, and Leases Payable                                      | 884,465                                    | 137,856                               | 106,226                           | 63,658                        |
| Net Pension Liabilities   | -  | -                                     | -                                 | -                             |
| Other Noncurrent Liabilities  | -  | 1,554                                 | 581                               | 929                           |
| Total Liabilities   | 957,352                                    | 193,102                               | 167,075                           | 131,387                       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |  |                                       |                                   |                               |
| Grant Revenue   | -  | -                                     | 597,616                           | -                             |
| Deferred Inflows Related to Pensions                                  | -  | -                                     | 42                                | -                             |
| Total Deferred Inflows of Resources                                   | -  | -                                     | 597,658                           | -                             |
| <b>NET POSITION</b>   |  |                                       |                                   |                               |
| Net Investment in Capital Assets                                      | -  | -                                     | 204,534                           | 297,005                       |
| Restricted for:   |  |                                       |                                   |                               |
| Permanent Funds   |  |                                       |                                   |                               |
| Nonexpendable   | -  | -                                     | -                                 | -                             |
| Expendable  | -  | -                                     | -                                 | -                             |
| Education   | -  | 125,118                               | -                                 | -                             |
| Development   | -  | -                                     | 100,173                           | -                             |
| Debt Service  | 37,474                                     | -                                     | -                                 | 21,825                        |
| Other Purposes  | -  | -                                     | -                                 | 1,107,977                     |
| Unrestricted  | 18,687                                     | 95,710                                | -                                 | -                             |
| Total Net Position  | \$ 56,161                                  | \$ 220,828                            | \$ 304,707                        | \$ 1,426,807                  |

## STATEMENT 6.01

| Alaska<br>Aerospace<br>Corporation | Alaska Mental<br>Health Trust<br>Authority | Alaska Seafood<br>Marketing<br>Institute | Alaska<br>Gasline<br>Development<br>Corporation | Total Nonmajor<br>Component<br>Units |
|------------------------------------|--|--|---|--------------------------------------|
| \$ 23,389                          | \$ 592,746                                 | \$ 14,349                                | \$ 283,461                                      | \$ 1,061,311                         |
| 686                                | 15   | -  | -   | 26,498                               |
| -                                  | 5,023                                      | -  | -   | 22,045                               |
| -                                  | -  | 7,061                                    | -   | 24,224                               |
| -                                  | -  | 1,314                                    | -   | 17,571                               |
| -                                  | 4,835                                      | -  | -   | 1,000,004                            |
| -                                  | -  | -  | -   | 11,134                               |
| -                                  | -  | -  | -   | 1,512,697                            |
| -                                  | 7,842                                      | -  | -   | 7,842                                |
| -                                  | 83   | 498                                      | 197   | 21,586                               |
| 30,300                             | 15   | -  | 632   | 190,418                              |
| 15,567                             | 10,632                                     | -  | -   | 26,627                               |
| 7,921                              | -  | -  | -   | 879,757                              |
| -                                  | 4,486                                      | -  | -   | 51,376                               |
| 5,997                              | -  | -  | -   | 218,945                              |
| <u>83,860</u>                      | <u>625,677</u>                             | <u>23,222</u>                            | <u>284,290</u>                                  | <u>5,072,035</u>                     |
| -                                  | -  | -  | -   | 91                                   |
| 395                                | 492  | 200                                      | 809   | 1,896                                |
| <u>395</u>                         | <u>492</u>                                 | <u>200</u>                               | <u>809</u>                                      | <u>1,987</u>                         |
| 381                                | 9,681                                      | 5,119                                    | 9,694   | 77,699                               |
| -                                  | 7,842                                      | -  | -   | 7,842                                |
| -                                  | 277  | -  | -   | 38,770                               |
| -                                  | -  | -  | -   | 2,881                                |
| -                                  | -  | -  | -   | 1,126                                |
| -                                  | -  | -  | -   | 17,312                               |
| -                                  | -  | -  | -   | 4,043                                |
| 290                                | 656  | 253                                      | 179   | 1,855                                |
| -                                  | 1,057                                      | -  | -   | 4,358                                |
| -                                  | -  | -  | -   | 130,575                              |
| -                                  | -  | -  | -   | 475                                  |
| -                                  | -  | 77                                       | 682   | 2,899                                |
| 8,361                              | -  | -  | -   | 8,361                                |
| -                                  | -  | -  | -   | 1,192,205                            |
| 3,434                              | 4,277                                      | 1,741                                    | 728   | 10,180                               |
| -                                  | -  | -  | -   | 3,064                                |
| <u>12,466</u>                      | <u>23,790</u>                              | <u>7,190</u>                             | <u>11,283</u>                                   | <u>1,503,645</u>                     |
| -                                  | -  | -  | -   | 597,616                              |
| 397                                | 494  | 202                                      | 84  | 1,219                                |
| <u>397</u>                         | <u>494</u>                                 | <u>202</u>                               | <u>84</u>                                       | <u>598,835</u>                       |
| 59,785                             | 15,133                                     | -  | 632   | 577,089                              |
| -                                  | 440,846                                    | -  | -   | 440,846                              |
| -                                  | 145,906                                    | -  | -   | 145,906                              |
| -                                  | -  | -  | 157,000   | 282,118                              |
| -                                  | -  | -  | 116,100   | 216,273                              |
| -                                  | -  | -  | -   | 59,299                               |
| -                                  | -  | 16,030                                   | -   | 1,124,007                            |
| 11,607                             | -  | -  | -   | 126,004                              |
| <u>\$ 71,392</u>                   | <u>\$ 601,885</u>                          | <u>\$ 16,030</u>                         | <u>\$ 273,732</u>                               | <u>\$ 2,971,542</u>                  |

STATE OF ALASKA  
Combining Statement of Activities  
Nonmajor Component Units  
For the Fiscal Year Ended June 30, 2015  
(Stated in Thousands)

STATEMENT 6.02

| FUNCTIONS/PROGRAMS                     | Expenses          | Program Revenues                               |                                    |                                  |
|--|-------------------|--|------------------------------------|----------------------------------|
|  |                   | Charges for Services, Royalties and Other Fees | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Nonmajor Component Units:</b>       |                   |  |                                    |                                  |
| Alaska Municipal Bond Bank Authority   | \$ 45,667         | \$ 44,122                                      | \$ -                               | \$ -                             |
| Alaska Student Loan Corporation        | 17,012            | 18,107   | -                                  | -                                |
| Alaska Railroad Corporation            | 164,208           | 144,042  | 13,803                             | 32,819                           |
| Alaska Energy Authority                | 135,978           | 17,259   | 38,719                             | 65,489                           |
| Alaska Aerospace Corporation           | 12,848            | 2,890  | 6,431                              | 74                               |
| Alaska Mental Health Trust Authority   | 23,607            | 12,258   | 25,657                             | -                                |
| Alaska Seafood Marketing Institute     | 21,757            | 694  | 4,047                              | -                                |
| Alaska Gasline Development Corporation | 98,529            | -  | 282                                | -                                |
| Total Nonmajor Component Units         | <u>\$ 519,606</u> | <u>\$ 239,372</u>                              | <u>\$ 88,939</u>                   | <u>\$ 98,382</u>                 |

General Revenues:

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



| Net (Expense) Revenue and Changes in Net Position |  |                                   |                               |                                    |   |   |   |   |
|---|--|-----------------------------------|-------------------------------|------------------------------------|---|---|---|---|
| Alaska<br>Municipal<br>Bond Bank<br>Authority     | Alaska<br>Student<br>Loan<br>Corporation | Alaska<br>Railroad<br>Corporation | Alaska<br>Energy<br>Authority | Alaska<br>Aerospace<br>Corporation | Alaska<br>Mental Health<br>Trust<br>Authority | Alaska<br>Seafood<br>Marketing<br>Institute | Alaska<br>Gasline<br>Development<br>Corporation | Total<br>Nonmajor<br>Component<br>Units |
| \$ (1,545)  | \$ 1,095                                 | \$ 26,456                         | \$ (14,511)                   | \$ (3,453)                         | \$ 14,308                                     | \$ (17,016)                                 | \$ (98,247)                                     | \$ (1,545)                              |
|   |  |                                   |                               |                                    |   |   |   | 1,095                                   |
|   |  |                                   |                               |                                    |   |   |   | 26,456                                  |
|   |  |                                   |                               |                                    |   |   |   | (14,511)                                |
|   |  |                                   |                               |                                    |   |   |   | (3,453)                                 |
|   |  |                                   |                               |                                    |   |   |   | 14,308                                  |
|   |  |                                   |                               |                                    |   |   |   | (17,016)                                |
|   |  |                                   |                               |                                    |   |   |   | (98,247)                                |
| <u>(1,545)</u>                                    | <u>1,095</u>                             | <u>26,456</u>                     | <u>(14,511)</u>               | <u>(3,453)</u>                     | <u>14,308</u>                                 | <u>(17,016)</u>                             | <u>(98,247)</u>                                 | <u>(92,913)</u>                         |
| -   | -  | -                                 | -                             | -                                  | -   | 9,475                                       | -   | 9,475                                   |
| 1,142   | 129                                      | 20                                | 35,095                        | 48                                 | -   | -   | 1,408   | 37,842                                  |
| -   | -  | -                                 | -                             | -                                  | -   | 7,384                                       | -   | 7,384                                   |
| -   | 59                                       | -                                 | 30                            | 707                                | -   | 21  | -   | 817                                     |
| -   | -  | -                                 | -                             | -                                  | 6,213   | -   | -   | 6,213                                   |
| <u>1,142</u>                                      | <u>188</u>                               | <u>20</u>                         | <u>35,125</u>                 | <u>755</u>                         | <u>6,213</u>                                  | <u>16,880</u>                               | <u>1,408</u>                                    | <u>61,731</u>                           |
| <u>(403)</u>                                      | <u>1,283</u>                             | <u>26,476</u>                     | <u>20,614</u>                 | <u>(2,698)</u>                     | <u>20,521</u>                                 | <u>(136)</u>                                | <u>(96,839)</u>                                 | <u>(31,182)</u>                         |
| <u>56,564</u>                                     | <u>219,545</u>                           | <u>278,231</u>                    | <u>1,406,193</u>              | <u>74,090</u>                      | <u>581,364</u>                                | <u>16,166</u>                               | <u>370,571</u>                                  | <u>3,002,724</u>                        |
| <u>\$ 56,161</u>                                  | <u>\$ 220,828</u>                        | <u>\$ 304,707</u>                 | <u>\$ 1,426,807</u>           | <u>\$ 71,392</u>                   | <u>\$ 601,885</u>                             | <u>\$ 16,030</u>                            | <u>\$ 273,732</u>                               | <u>\$ 2,971,542</u>                     |



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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, 2015

(Stated in Thousands)

|  | Alaska Seafood<br>Marketing<br>Institute |
|--|--|
| <b>ASSETS</b>  |  |
| Cash and Investments   | \$ 14,349                                |
| Due from Primary Government  | 7,061                                    |
| Due from Other Governments   | 1,314                                    |
| Other Assets   | 498                                      |
| Total Assets   | 23,222                                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>  |  |
| Deferred Outflows Related to Pensions  | 200                                      |
| Total Deferred Outflows of Resources   | 200                                      |
| Total Assets and Deferred Outflows   | \$ 23,422                                |
| <b>LIABILITIES</b>   |  |
| Accounts Payable and Accrued Liabilities   | \$ 5,119                                 |
| Long-term Liabilities:   |  |
| Portion Due or Payable After One Year:   |  |
| Net Pension Liabilities  | 1,741                                    |
| Total Liabilities  | 6,860                                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |  |
| Deferred Inflows Related to Pensions   | 202                                      |
| Total Deferred Inflows of Resources  | 202                                      |
| <b>FUND BALANCES</b>   |  |
| Reserved:  |  |
| Encumbrances   | 30                                       |
| Other Purposes   | 16,330                                   |
| Total Fund Balances  | 16,360                                   |
| Total Liabilities and Fund Balances  | \$ 23,422                                |
| <b>Reconciliation of the Balance Sheet to the Statement of Net Position:</b>                                     |  |
| <b>Total Fund Balances - Governmental Fund:</b>  | \$ 16,360                                |
| Amounts reported for governmental activities in the Statement of Net Position are different because:             |  |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. |  |
| Compensated Absences   | (330)                                    |
| <b>Net Position of Governmental Activities</b>   | \$ 16,030                                |

**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, 2015**  
**(Stated in Thousands)**

|  | Alaska Seafood<br>Marketing<br>Institute |
|--|--|
| <b>REVENUES</b>                                      |  |
| Taxes  | \$ 9,475                                 |
| Charges for Services                                 | 694                                      |
| Federal Grants in Aid                                | 4,047                                    |
| Total Revenues                                       | <u>14,216</u>                            |
| <b>EXPENDITURES</b>                                  |  |
| Current:   |  |
| Development  | <u>21,757</u>                            |
| Total Expenditures                                   | <u>21,757</u>                            |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(7,541)</u>                           |
| <b>OTHER FINANCING SOURCES (USES)</b>                |  |
| Other Revenue  | 21                                       |
| Payments in from Primary Government                  | <u>7,384</u>                             |
| Total Other Financing Sources<br>and Uses            | <u>7,405</u>                             |
| Net Change in Fund Balances                          | (136)                                    |
| Fund Balances - Beginning of Year (restated)         | 16,496                                   |
| Changes in Accounting Principles                     | -  |
| Fund Balances - End of Year                          | <u><u>\$ 16,360</u></u>                  |

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

|   |                        |
|---|------------------------|
| <b>Net Change in Fund Balances - Governmental Fund:</b>   | \$ (136)               |
| Amounts reported for governmental activities in the Statement of Net Position<br>are different because: |                        |
| Expenses not reported in the fund:  |                        |
| Compensated Absences  | -                      |
| <b>Change in Net Position of Governmental Activities:</b>   | <u><u>\$ (136)</u></u> |



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# Statistical Section

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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2015**

**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.

|  | <b><u>Page</u></b> |
|--|--------------------|
| <b>Financial Trends</b> (Schedules A-1 through A-5)  | <b>264</b>         |
| <i>These schedules contain trend information to help the reader understand how the state's financial performance and well-being have changed over time.</i>  |                    |
| <b>Revenue Capacity</b> (Schedules B-1 through B-3)  | <b>274</b>         |
| <i>These schedules contain information to help the reader assess the state's most significant revenue sources: investment income, oil severance taxes, and oil royalties.</i>  |                    |
| <b>Debt Capacity</b> (Schedules C-1 and C-2)   | <b>278</b>         |
| <i>These schedules present information to help the reader assess the affordability of the state's current levels of outstanding debt and the state's ability to issue additional debt in the future. The state has no statutory limit on the amount of general obligation debt that may be authorized.</i> |                    |
| <b>Demographic and Economic Information</b> (Schedules D-1 and D-2)  | <b>281</b>         |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the state's financial activities take place.</i>   |                    |
| <b>Operating Information</b> (Schedules E-1 through E-3)   | <b>284</b>         |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the state's financial report relates to the services the state provides and the activities it performs.</i>  |                    |

**SOURCES:**

Unless otherwise noted, the information in these schedules is derived from the financial statements presented in the comprehensive annual financial reports for the relevant years.

**NOTES:**

The State of Alaska implemented GASB Statement No. 34 in FY 02 and GASB Statement No. 54 in FY 10; therefore, some schedules only include financial data beginning in those years.

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

SCHEDULE A-1

|   | 2015                 | 2014                 | 2013                 | 2012                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental Activities:</b>             |                      |                      |                      |                      |
| Invested in Capital Assets,                 |                      |                      |                      |                      |
| Net of Related Debt                         | \$ 6,683,296         | \$ 6,205,097         | \$ 5,940,490         | \$ 5,784,736         |
| Restricted <sup>a</sup>                     | 46,442,972           | 45,797,266           | 41,811,811           | 39,109,760           |
| Unrestricted                                | 16,699,444           | 28,015,987           | 26,270,988           | 23,398,603           |
| Total Governmental Activities Net Position  | <u>69,825,712</u>    | <u>80,018,350</u>    | <u>74,023,289</u>    | <u>68,293,099</u>    |
| <b>Business-type Activities:</b>            |                      |                      |                      |                      |
| Invested in Capital Assets,                 |                      |                      |                      |                      |
| Net of Related Debt                         | 817,436              | 868,403              | 847,214              | 805,993              |
| Restricted                                  | 939,413              | 865,739              | 777,552              | 680,149              |
| Unrestricted                                | 298,017              | 350,713              | 357,143              | 343,417              |
| Total Business-type Activities Net Position | <u>2,054,866</u>     | <u>2,084,855</u>     | <u>1,981,909</u>     | <u>1,829,559</u>     |
| <b>Primary Government:</b>                  |                      |                      |                      |                      |
| Invested in Capital Assets,                 |                      |                      |                      |                      |
| Net of Related Debt                         | 7,500,732            | 7,073,500            | 6,787,704            | 6,590,729            |
| Restricted                                  | 47,382,385           | 46,663,005           | 42,589,363           | 39,789,909           |
| Unrestricted                                | 16,997,461           | 28,366,700           | 26,628,131           | 23,742,020           |
| Total Primary Government Net Position       | <u>\$ 71,880,578</u> | <u>\$ 82,103,205</u> | <u>\$ 76,005,198</u> | <u>\$ 70,122,658</u> |

**NOTE:**

This schedule is presented on the accrual basis of accounting.

<sup>a</sup> 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.

SCHEDULE A-1

| 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 5,618,713         | \$ 5,429,469         | \$ 5,293,353         | \$ 5,063,796         | \$ 4,968,171         | \$ 4,721,066         |
| 38,808,084           | 32,819,206           | 30,007,939           | 31,421,373           | 34,200,958           | 30,772,290           |
| 20,099,413           | 16,423,342           | 14,625,134           | 19,398,314           | 11,425,419           | 7,539,120            |
| <u>64,526,210</u>    | <u>54,672,017</u>    | <u>49,926,426</u>    | <u>55,883,483</u>    | <u>50,594,548</u>    | <u>43,032,476</u>    |
| 783,353              | 765,841              | 706,236              | 677,900              | 596,997              | 535,585              |
| 670,492              | 679,259              | 712,350              | 688,485              | 614,880              | 527,509              |
| 292,783              | 317,371              | 327,661              | 311,346              | 330,553              | 340,555              |
| <u>1,746,628</u>     | <u>1,762,471</u>     | <u>1,746,247</u>     | <u>1,677,731</u>     | <u>1,542,430</u>     | <u>1,403,649</u>     |
| 6,402,066            | 6,195,310            | 5,999,589            | 5,741,696            | 5,565,168            | 5,256,651            |
| 39,478,576           | 33,498,465           | 30,720,289           | 32,109,858           | 34,815,838           | 31,299,799           |
| 20,392,196           | 16,740,713           | 14,952,795           | 19,709,660           | 11,755,972           | 7,879,675            |
| <u>\$ 66,272,838</u> | <u>\$ 56,434,488</u> | <u>\$ 51,672,673</u> | <u>\$ 57,561,214</u> | <u>\$ 52,136,978</u> | <u>\$ 44,436,125</u> |

## STATE OF ALASKA

## SCHEDULE A-2

## Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue

## Last Ten Fiscal Years

(Stated in Thousands)

|   | 2015                  | 2014                  | 2013                  | 2012                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Program Revenues</b>                         |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| Charges for Services                            |                       |                       |                       |                       |
| General Government                              | \$ 12,316             | \$ 12,442             | \$ 12,374             | \$ 13,807             |
| Education                                       | 3,705                 | 3,779                 | 4,123                 | 2,977                 |
| University                                      | 40                    | -                     | -                     | -                     |
| Health and Human Services                       | 50,513                | 49,545                | 48,904                | 45,775                |
| Law and Justice                                 | 17,140                | 12,771                | 12,960                | 19,267                |
| Public Protection                               | 174,986               | 170,439               | 179,861               | 159,589               |
| Natural Resources                               | 1,768,465             | 2,612,946             | 2,864,093             | 3,053,020             |
| Development                                     | 3,224                 | 2,723                 | 2,472                 | 18,277                |
| Transportation                                  | 69,890                | 63,234                | 65,158                | 60,945                |
| Debt Service                                    | -                     | -                     | -                     | -                     |
| Operating Grants and Contributions              | 1,917,686             | 1,809,703             | 1,866,903             | 1,827,888             |
| Capital Grants and Contributions                | 768,853               | 681,189               | 651,304               | 648,810               |
| Total Governmental Activities Program Revenues  | <u>4,786,818</u>      | <u>5,418,771</u>      | <u>5,708,152</u>      | <u>5,850,355</u>      |
| Business-type Activities:                       |                       |                       |                       |                       |
| Charges for Services                            |                       |                       |                       |                       |
| Loans   | 11,062                | 10,144                | 11,477                | 12,030                |
| Unemployment Compensation                       | 185,476               | 236,266               | 237,694               | 200,070               |
| Airports  | 134,361               | 123,896               | 107,864               | 106,764               |
| Development                                     | 1,602                 | 1,851                 | 1,765                 | 1,349                 |
| Operating Grants and Contributions              | 521                   | 25,558                | 80,780                | 117,929               |
| Capital Grants and Contributions                | 68,976                | 80,351                | 109,152               | 110,804               |
| Total Business-type Activities Program Revenues | <u>401,998</u>        | <u>478,066</u>        | <u>548,732</u>        | <u>548,946</u>        |
| Total Primary Government Program Revenues       | <u>\$ 5,188,816</u>   | <u>\$ 5,896,837</u>   | <u>\$ 6,256,884</u>   | <u>\$ 6,399,301</u>   |
| <b>Expenses</b>                                 |                       |                       |                       |                       |
| Governmental Activities:                        |                       |                       |                       |                       |
| General Government                              | \$ 850,593            | \$ 553,636            | \$ 572,776            | \$ 504,434            |
| Alaska Permanent Fund Dividend <sup>a b</sup>   | 1,203,234             | 570,590               | 562,621               | 757,576               |
| Education                                       | 3,540,700             | 2,080,526             | 2,076,009             | 1,912,994             |
| University                                      | 653,383               | 595,060               | 568,955               | 492,576               |
| Health and Human Services                       | 2,770,978             | 2,587,529             | 2,717,565             | 2,596,033             |
| Law and Justice                                 | 259,017               | 270,022               | 266,949               | 277,816               |
| Public Protection                               | 791,136               | 804,823               | 729,682               | 703,039               |
| Natural Resources                               | 475,146               | 383,338               | 376,333               | 403,746               |
| Development                                     | 420,544               | 1,123,531             | 700,695               | 597,796               |
| Transportation                                  | 1,278,527             | 1,403,539             | 1,156,853             | 1,110,674             |
| Intergovernmental Revenue Sharing               | 134,239               | 262,001               | 287,028               | 254,159               |
| Debt Service                                    | 65,808                | 64,885                | 64,334                | 72,718                |
| Total Governmental Activities Expenses          | <u>12,443,305</u>     | <u>10,699,480</u>     | <u>10,079,800</u>     | <u>9,683,561</u>      |
| Business-type Activities:                       |                       |                       |                       |                       |
| Loans   | 10,518                | 10,197                | 8,350                 | 11,190                |
| Unemployment Compensation                       | 142,702               | 196,345               | 258,709               | 302,406               |
| Airports  | 150,341               | 157,367               | 151,125               | 144,009               |
| Development                                     | 61,220                | 5,149                 | 4,820                 | 6,254                 |
| Total Business-type Activities Expenses         | <u>364,781</u>        | <u>369,058</u>        | <u>423,004</u>        | <u>463,859</u>        |
| Total Primary Government Expenses               | <u>\$ 12,808,086</u>  | <u>\$ 11,068,538</u>  | <u>\$ 10,502,804</u>  | <u>\$ 10,147,420</u>  |
| <b>Net (Expense)/Revenue (To Schedule A-3)</b>  |                       |                       |                       |                       |
| Governmental Activities                         | \$ (7,656,487)        | \$ (5,280,709)        | \$ (4,371,648)        | \$ (3,833,206)        |
| Business-type Activities                        | 37,217                | 109,008               | 125,728               | 85,087                |
| Total Primary Government Net Expense            | <u>\$ (7,619,270)</u> | <u>\$ (5,171,701)</u> | <u>\$ (4,245,920)</u> | <u>\$ (3,748,119)</u> |

## NOTES:

This schedule is presented on the accrual basis of accounting.

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

**SCHEDULE A-2**

| 2011           | 2010           | 2009           | 2008           | 2007           | 2006           |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 10,940      | \$ 10,706      | \$ 10,148      | \$ 11,754      | \$ 11,058      | \$ 13,908      |
| 3,195          | 3,277          | 3,045          | 2,829          | 2,689          | 2,895          |
| -              | 10             | 15             | 29             | -              | -              |
| 43,166         | 41,816         | 41,375         | 39,492         | 39,144         | 29,774         |
| 17,294         | 10,604         | 19,485         | 12,607         | 12,142         | 9,736          |
| 157,898        | 160,851        | 158,994        | 163,320        | 172,762        | 138,192        |
| 2,798,551      | 2,278,392      | 2,322,398      | 3,404,033      | 2,207,217      | 2,460,023      |
| 994            | 1,264          | 16,634         | 6,884          | 15,669         | 6,840          |
| 59,215         | 54,746         | 57,306         | 68,105         | 68,042         | 63,257         |
| -              | 1,320          | -              | -              | -              | -              |
| 2,029,375      | 1,912,537      | 1,488,782      | 1,354,695      | 1,463,791      | 1,460,145      |
| 659,305        | 591,510        | 633,661        | 612,769        | 632,829        | 618,554        |
| 5,779,933      | 5,067,033      | 4,751,843      | 5,676,517      | 4,625,343      | 4,803,324      |
| 12,652         | 16,372         | 11,818         | 9,175          | 9,655          | 9,116          |
| 190,321        | 168,524        | 178,073        | 149,699        | 169,070        | 168,942        |
| 106,604        | 105,441        | 95,244         | 118,874        | 115,490        | 103,999        |
| 1,212          | 1,068          | 1,034          | 1,087          | -              | -              |
| 106,801        | 99,940         | 19,115         | 21,717         | 16,400         | 19,262         |
| 48,419         | 84,170         | 78,720         | 83,922         | 79,588         | 73,570         |
| 466,009        | 475,515        | 384,004        | 384,474        | 390,203        | 374,889        |
| \$ 6,245,942   | \$ 5,542,548   | \$ 5,135,847   | \$ 6,060,991   | \$ 5,015,546   | \$ 5,178,213   |
| \$ 466,540     | \$ 423,411     | \$ 515,981     | \$ 520,244     | \$ 326,205     | \$ 292,265     |
| 817,894        | 817,162        | 2,015,974      | 990,379        | 658,294        | 505,093        |
| 1,864,934      | 1,688,586      | 1,647,531      | 1,705,227      | 1,364,756      | 1,251,111      |
| 449,650        | 404,071        | 410,805        | 382,463        | 319,963        | 271,687        |
| 2,420,412      | 2,261,984      | 2,067,733      | 1,869,940      | 1,827,623      | 1,768,611      |
| 187,722        | 241,021        | 270,299        | 213,076        | 180,837        | 175,878        |
| 740,113        | 696,937        | 609,253        | 584,423        | 557,792        | 535,877        |
| 394,500        | 342,556        | 295,183        | 293,999        | 286,236        | 263,777        |
| 892,847        | 319,268        | 386,298        | 247,671        | 430,096        | 477,249        |
| 1,026,604      | 1,135,249      | 959,586        | 952,916        | 812,686        | 711,351        |
| 189,741        | 177,531        | 231,574        | 129,678        | 62,082         | 57,598         |
| 50,864         | 48,377         | 42,662         | 43,820         | 40,555         | 32,152         |
| 9,501,821      | 8,556,153      | 9,452,879      | 7,933,836      | 6,867,125      | 6,342,649      |
| 5,095          | 5,062          | 3,514          | 9,987          | 9,561          | 12,285         |
| 325,040        | 339,964        | 199,792        | 122,128        | 122,908        | 130,487        |
| 134,020        | 114,885        | 117,499        | 112,437        | 129,074        | 120,879        |
| 2,633          | 1,984          | 2,062          | 4,965          | 2,221          | 598            |
| 466,788        | 461,895        | 322,867        | 249,517        | 263,764        | 264,249        |
| \$ 9,968,609   | \$ 9,018,048   | \$ 9,775,746   | \$ 8,183,353   | \$ 7,130,889   | \$ 6,606,898   |
| \$ (3,721,888) | \$ (3,489,120) | \$ (4,701,036) | \$ (2,257,319) | \$ (2,241,782) | \$ (1,539,325) |
| (779)          | 13,620         | 61,137         | 134,957        | 126,439        | 110,640        |
| \$ (3,722,667) | \$ (3,475,500) | \$ (4,639,899) | \$ (2,122,362) | \$ (2,115,343) | \$ (1,428,685) |

## 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)

|   | 2015                  | 2014                  | 2013                  | 2012                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net (Expense)/Revenue (From Schedule A-2)</b>                                  |                       |                       |                       |                       |
| Governmental Activities   | \$ (7,656,487)        | \$ (5,280,709)        | \$ (4,371,648)        | \$ (3,833,206)        |
| Business-type Activities  | 37,217                | 109,008               | 125,728               | 85,087                |
| Total Primary Government Net Expense  | <u>\$ (7,619,270)</u> | <u>\$ (5,171,701)</u> | <u>\$ (4,245,920)</u> | <u>\$ (3,748,119)</u> |
| <b>General Revenues and Other Changes in Net Position</b>                         |                       |                       |                       |                       |
| Governmental Activities:  |                       |                       |                       |                       |
| Taxes:  |                       |                       |                       |                       |
| Severance Taxes   | \$ (106,738)          | \$ 2,175,990          | \$ 3,855,649          | \$ 6,069,648          |
| Selective Sales/Use   | 250,283               | 252,538               | 246,235               | 251,826               |
| Income Taxes  | 239,379               | 414,613               | 583,429               | 647,256               |
| Property Taxes  | 127,821               | 128,076               | 99,598                | 215,407               |
| Other Taxes   | 2,592                 | 2,631                 | 2,444                 | 2,556                 |
| Interest and Investment Earnings  | 2,832,768             | 8,236,307             | 5,208,270             | 318,107               |
| Tobacco Settlement  | 29,175                | 32,261                | 30,012                | 29,997                |
| Payments In from Component Units  | 14,106                | 22,578                | 31,336                | 39,463                |
| Other Revenues  | 4,641                 | 27,842                | 68,841                | 28,887                |
| Transfers - Internal Activity   | (10,544)              | (627)                 | (23,127)              | (3,052)               |
| Extraordinary Items   |                       |                       |                       |                       |
| Pension Obligation and Other Post Employment                                      | -                     | -                     | -                     | -                     |
| Prior Period Adjustments and Restatements   | 285,522               | (11,230)              | -                     | -                     |
| Changes in Accounting Principles  | -                     | -                     | -                     | -                     |
| Total Governmental Activities General Revenues and Other Changes in Net Position  | <u>3,669,005</u>      | <u>11,280,979</u>     | <u>10,102,687</u>     | <u>7,600,095</u>      |
| Business-type Activities:   |                       |                       |                       |                       |
| Interest and Investment Earnings  | (10,155)              | (13,985)              | (16,838)              | (13,772)              |
| Other Revenues  | 890                   | 4,703                 | 4,460                 | 8,564                 |
| Payments In from Component Units  | -                     | -                     | 15,873                | -                     |
| Transfers - Internal Activity   | 10,544                | 627                   | 23,127                | 3,052                 |
| Special Items   | -                     | -                     | -                     | -                     |
| Prior Period Adjustments and Restatements   | -                     | -                     | -                     | -                     |
| Changes in Accounting Principles  | -                     | -                     | -                     | -                     |
| Total Business-type Activities General Revenues and Other Changes in Net Position | <u>1,279</u>          | <u>(8,655)</u>        | <u>26,622</u>         | <u>(2,156)</u>        |
| Total Primary Government General Revenues and Other Changes in Net Position       | <u>\$ 3,670,284</u>   | <u>\$ 11,272,324</u>  | <u>\$ 10,129,309</u>  | <u>\$ 7,597,939</u>   |
| <b>Change in Net Position</b>   |                       |                       |                       |                       |
| Governmental Activities   | \$ (3,987,482)        | \$ 6,000,270          | \$ 5,731,039          | \$ 3,766,889          |
| Business-type Activities  | 38,496                | 100,353               | 152,350               | 82,931                |
| Total Primary Government Changes in Net Position                                  | <u>\$ (3,948,986)</u> | <u>\$ 6,100,623</u>   | <u>\$ 5,883,389</u>   | <u>\$ 3,849,820</u>   |

## NOTE:

This schedule is presented on the accrual basis of accounting.

**SCHEDULE A-3**

| 2011                  | 2010                  | 2009                  | 2008                  | 2007                  | 2006                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ (3,721,888)        | \$ (3,489,120)        | \$ (4,701,036)        | \$ (2,257,319)        | \$ (2,241,782)        | \$ (1,539,325)        |
| (779)                 | 13,620                | 61,137                | 134,957               | 126,439               | 110,640               |
| <u>\$ (3,722,667)</u> | <u>\$ (3,475,500)</u> | <u>\$ (4,639,899)</u> | <u>\$ (2,122,362)</u> | <u>\$ (2,115,343)</u> | <u>\$ (1,428,685)</u> |
|                       |                       |                       |                       |                       |                       |
| \$ 4,217,074          | \$ 2,669,281          | \$ 3,345,993          | \$ 6,929,895          | \$ 2,256,299          | \$ 1,332,880          |
| 249,705               | 251,414               | 235,121               | 270,119               | 233,788               | 196,605               |
| 720,734               | 552,792               | 632,123               | 981,673               | 812,652               | 821,664               |
| 184,254               | 118,780               | 111,251               | 81,518                | 65,692                | 54,508                |
| 9,712                 | 8,905                 | 10,225                | 18,387                | 9,495                 | 11,865                |
| 8,075,366             | 4,529,193             | (6,460,729)           | (910,362)             | 5,968,976             | 3,312,907             |
| 29,574                | 31,502                | 37,349                | 32,141                | 21,247                | 19,975                |
| 42,866                | 40,538                | 26,392                | 115,635               | 400,382               | 104,556               |
| 48,106                | 37,573                | 91,857                | 27,873                | 32,295                | 60,857                |
| (1,310)               | (5,267)               | (14,032)              | (625)                 | 3,028                 | 4,894                 |
| -                     | -                     | 126,393               | -                     | -                     | -                     |
| -                     | -                     | (2,186)               | -                     | -                     | (125,041)             |
| -                     | -                     | 604,222               | -                     | -                     | -                     |
| <u>13,576,081</u>     | <u>8,234,711</u>      | <u>(1,256,021)</u>    | <u>7,546,254</u>      | <u>9,803,854</u>      | <u>5,795,670</u>      |
|                       |                       |                       |                       |                       |                       |
| (16,374)              | (13,201)              | (11,037)              | (281)                 | 14,155                | 2,935                 |
| -                     | 10,538                | 5,562                 | -                     | 1,215                 | 1,393                 |
| -                     | -                     | 53                    | -                     | -                     | -                     |
| 1,310                 | 5,267                 | 14,032                | 625                   | (3,028)               | (4,894)               |
| -                     | -                     | 3,972                 | -                     | -                     | -                     |
| -                     | -                     | (3,685)               | -                     | -                     | 243                   |
| -                     | -                     | (1,518)               | -                     | -                     | -                     |
| <u>(15,064)</u>       | <u>2,604</u>          | <u>7,379</u>          | <u>344</u>            | <u>12,342</u>         | <u>(323)</u>          |
| <u>\$ 13,561,017</u>  | <u>\$ 8,237,315</u>   | <u>\$ (1,248,642)</u> | <u>\$ 7,546,598</u>   | <u>\$ 9,816,196</u>   | <u>\$ 5,795,347</u>   |
|                       |                       |                       |                       |                       |                       |
| \$ 9,854,193          | \$ 4,745,591          | \$ (5,957,057)        | \$ 5,288,935          | \$ 7,562,072          | \$ 4,256,345          |
| (15,843)              | 16,224                | 68,516                | 135,301               | 138,781               | 110,317               |
| <u>\$ 9,838,350</u>   | <u>\$ 4,761,815</u>   | <u>\$ (5,888,541)</u> | <u>\$ 5,424,236</u>   | <u>\$ 7,700,853</u>   | <u>\$ 4,366,662</u>   |

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

**SCHEDULE A-4**

|   | 2015                 | 2014                 | 2013                 | 2012                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>General Fund (Per GASB 54)<sup>a</sup></b>                   |                      |                      |                      |                      |
| Nonspendable  | \$ 219,190           | \$ 219,953           | \$ 108,524           | \$ 165,504           |
| Restricted  | 83,969               | 58,953               | 77,042               | 105,472              |
| Committed   | 4,995,744            | 6,577,052            | 5,997,573            | 5,339,354            |
| Assigned  | -                    | -                    | -                    | -                    |
| Unassigned  | 10,533,000           | 15,685,658           | 16,440,266           | 15,953,852           |
| <b>General Fund (Prior GASB 54)<sup>a</sup></b>                 |                      |                      |                      |                      |
| Reserved <sup>b</sup>   | -                    | -                    | -                    | -                    |
| Unreserved  | -                    | -                    | -                    | -                    |
| <b>Total General Fund</b>                                       | <u>\$ 15,831,903</u> | <u>\$ 22,541,616</u> | <u>\$ 22,623,405</u> | <u>\$ 21,564,182</u> |
| <b>All Other Governmental Funds (Per GASB 54)<sup>a</sup></b>   |                      |                      |                      |                      |
| Nonspendable  | \$ 46,263,114        | \$ 45,563,618        | \$ 41,299,265        | \$ 38,713,004        |
| Restricted  | 163,147              | 172,275              | 425,573              | 289,667              |
| Committed   | 74,218               | 129,391              | 598,440              | 615,614              |
| Assigned  | 7,162,406            | 6,211,325            | 4,053,792            | 2,080,582            |
| Unassigned  | (92,534)             | (18,377)             | -                    | -                    |
| <b>All Other Governmental Funds (Prior GASB 54)<sup>a</sup></b> |                      |                      |                      |                      |
| Reserved <sup>c</sup>   | -                    | -                    | -                    | -                    |
| Unreserved, reported in:  |                      |                      |                      |                      |
| Permanent funds   | -                    | -                    | -                    | -                    |
| Special revenue funds   | -                    | -                    | -                    | -                    |
| Capital projects funds  | -                    | -                    | -                    | -                    |
| <b>Total All Other Governmental Funds</b>                       | <u>\$ 53,570,351</u> | <u>\$ 52,058,232</u> | <u>\$ 46,377,070</u> | <u>\$ 41,698,867</u> |

**NOTES:**

This schedule is presented on the modified accrual basis of accounting.  
In 2010, funds were reclassified in conjunction with implementing GASB Statement No. 54.

- <sup>a</sup> 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.
- <sup>b</sup> The majority of the amount reported as reserved for the General Fund in 2006 and 2007 represents the Constitutional Budget Reserve Fund. Further discussion of this fund is included in the Notes to the Basic Financial Statements.  
Beginning 2008 the majority represents reserved for encumbrances within the General Fund.
- <sup>c</sup> 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.



**SCHEDULE A-4**

| 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 146,525           | \$ 229,199           |                      |                      |                      |                      |
| 134,863              | 119,379              |                      |                      |                      |                      |
| 4,448,973            | 4,782,302            |                      |                      |                      |                      |
| -                    | -                    |                      |                      |                      |                      |
| 13,051,711           | 10,405,256           |                      |                      |                      |                      |
| -                    | -                    | \$ 1,101,357         | \$ 898,734           | \$ 5,388,823         | \$ 5,447,085         |
| -                    | -                    | 13,222,879           | 13,717,732           | 2,249,074            | (123,785)            |
| <u>\$ 17,782,072</u> | <u>\$ 15,536,136</u> | <u>\$ 14,324,236</u> | <u>\$ 14,616,466</u> | <u>\$ 7,637,897</u>  | <u>\$ 5,323,300</u>  |
| \$ 38,261,469        | \$ 32,408,388        |                      |                      |                      |                      |
| 406,063              | 286,528              |                      |                      |                      |                      |
| 817,352              | 418,643              |                      |                      |                      |                      |
| 2,307,820            | 1,209,837            |                      |                      |                      |                      |
| -                    | -                    |                      |                      |                      |                      |
| -                    | -                    | \$ 29,983,196        | \$ 31,388,842        | \$ 34,155,999        | \$ 30,788,066        |
| -                    | -                    | 426,318              | 4,984,371            | 4,144,850            | 2,594,854            |
| -                    | -                    | 420,993              | 397,895              | 381,225              | 51,662               |
| -                    | -                    | 207,550              | 113,515              | 116,074              | 140,606              |
| <u>\$ 41,792,704</u> | <u>\$ 34,323,396</u> | <u>\$ 31,038,057</u> | <u>\$ 36,884,623</u> | <u>\$ 38,798,148</u> | <u>\$ 33,575,188</u> |

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

**SCHEDULE A-5**

|   | 2015                  | 2014                | 2013                | 2012                |
|---|-----------------------|---------------------|---------------------|---------------------|
| <b>Revenues</b>   |                       |                     |                     |                     |
| Taxes   | \$ 513,337            | \$ 2,973,848        | \$ 4,787,355        | \$ 7,186,196        |
| Licenses and Permits                                    | 163,089               | 154,991             | 147,790             | 148,058             |
| Charges for Services                                    | 199,976               | 184,657             | 194,058             | 197,276             |
| Fines and Forfeitures                                   | 15,564                | 17,017              | 30,615              | 13,732              |
| Rents and Royalties                                     | 1,714,369             | 2,563,426           | 2,807,255           | 2,996,900           |
| Premiums and Contributions                              | 27,441                | 24,741              | 25,949              | 23,363              |
| Interest and Investment Income                          | 2,847,916             | 8,299,902           | 5,248,270           | 344,378             |
| Federal Grants in Aid                                   | 2,544,252             | 2,459,581           | 2,434,288           | 2,500,941           |
| Payments in from Component Units                        | 14,106                | 22,578              | 31,336              | 39,463              |
| Other Revenues  | 50,187                | 61,190              | 101,707             | 66,759              |
| Total Revenues  | <u>8,090,237</u>      | <u>16,761,931</u>   | <u>15,808,623</u>   | <u>13,517,066</u>   |
| <b>Expenditures</b>                                     |                       |                     |                     |                     |
| General Government                                      | 1,395,586             | 555,498             | 588,288             | 491,697             |
| Alaska Permanent Fund Dividend <sup>a</sup>             | 1,203,234             | 570,590             | 562,621             | 757,576             |
| Education   | 3,770,244             | 2,118,884           | 2,081,438           | 1,899,380           |
| University  | 653,543               | 594,777             | 568,805             | 491,857             |
| Health and Human Services                               | 2,803,944             | 2,599,796           | 2,741,002           | 2,573,858           |
| Law and Justice   | 274,155               | 294,064             | 271,633             | 278,809             |
| Public Protection                                       | 794,420               | 801,663             | 736,133             | 734,059             |
| Natural Resources                                       | 427,988               | 401,217             | 399,938             | 384,167             |
| Development   | 421,857               | 1,122,243           | 707,665             | 595,362             |
| Transportation  | 1,548,227             | 1,520,690           | 1,277,201           | 1,146,767           |
| Intergovernmental Revenue Sharing                       | 134,686               | 263,408             | 288,281             | 254,525             |
| Debt Service:   | -                     | -                   | -                   | -                   |
| Principal   | 85,126                | 84,365              | 97,959              | 134,825             |
| Interest and Other Charges                              | 67,155                | 69,208              | 64,891              | 77,816              |
| Existing Monies to Bond Escrow Agent                    | -                     | -                   | -                   | -                   |
| Bond Issuance Costs                                     | 426                   | -                   | -                   | -                   |
| Total Expenditures                                      | <u>13,580,591</u>     | <u>10,996,403</u>   | <u>10,385,855</u>   | <u>9,820,698</u>    |
| Excess (Deficiency) of Revenues Over Expenditures       | (5,490,354)           | 5,765,528           | 5,422,768           | 3,696,368           |
| <b>Other Financing Sources (Uses)</b>                   |                       |                     |                     |                     |
| Bonds Issued  | 30,895                | -                   | -                   | -                   |
| Refunding Bonds Issued                                  | 94,425                | -                   | 312,125             | 204,390             |
| Bond Issue Premium                                      | 26,718                | -                   | 36,338              | 33,007              |
| Other Debt Proceeds                                     | -                     | -                   | -                   | -                   |
| Refunding Bond Issue Premium                            | -                     | -                   | -                   | -                   |
| Bond Discount   | -                     | -                   | -                   | -                   |
| Payment to Refunded Bond Escrow Agent                   | (116,296)             | -                   | -                   | (237,509)           |
| Capital Leases  | 5,148                 | 13,842              | 5,279               | 10,277              |
| Transfers In from Other Funds                           | 1,532,769             | 1,387,386           | 716,027             | 1,324,843           |
| Transfers (Out to) Other Funds                          | (1,566,421)           | (1,404,040)         | (754,907)           | (1,343,103)         |
| Total Other Financing Sources and Uses                  | <u>7,238</u>          | <u>(2,812)</u>      | <u>314,862</u>      | <u>(8,095)</u>      |
| Prior Period Adjustments and Restatements               | 285,522               | (163,343)           | -                   | -                   |
| Changes in Accounting Principles                        | -                     | -                   | -                   | -                   |
| Net Change in Fund Balances                             | <u>\$ (5,197,594)</u> | <u>\$ 5,599,373</u> | <u>\$ 5,737,630</u> | <u>\$ 3,688,273</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 1.16%                 | 1.43%               | 1.60%               | 2.18%               |

**NOTES:**

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

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

SCHEDULE A-5

| 2011         | 2010         | 2009           | 2008         | 2007         | 2006         |
|--------------|--------------|----------------|--------------|--------------|--------------|
| \$ 5,381,479 | \$ 3,602,345 | \$ 4,334,450   | \$ 8,282,074 | \$ 3,462,462 | \$ 2,361,263 |
| 147,331      | 144,160      | 146,460        | 150,207      | 142,204      | 129,604      |
| 179,554      | 164,400      | 176,310        | 179,213      | 180,695      | 159,410      |
| 11,867       | 14,745       | 14,306         | 18,673       | 32,367       | 10,441       |
| 2,779,564    | 2,259,999    | 2,237,219      | 3,354,696    | 2,162,495    | 2,418,169    |
| 28,790       | 21,782       | 28,806         | 17,520       | 16,369       | 17,906       |
| 8,139,303    | 4,575,828    | (6,480,492)    | (913,571)    | 6,023,532    | 3,339,127    |
| 2,442,957    | 2,422,985    | 2,119,109      | 1,925,558    | 2,021,414    | 1,997,567    |
| 42,866       | 40,538       | 26,392         | 115,635      | 400,382      | 104,555      |
| 53,920       | 32,530       | 61,092         | 43,908       | 31,349       | 74,163       |
| 19,207,631   | 13,279,312   | 2,663,652      | 13,173,913   | 14,473,269   | 10,612,205   |
| 481,434      | 437,178      | 740,621        | 596,754      | 346,530      | 294,151      |
| 817,894      | 817,162      | 2,015,974      | 990,379      | 658,294      | 505,093      |
| 1,835,425    | 1,705,340    | 1,658,971      | 1,716,876    | 1,359,413    | 1,227,523    |
| 449,248      | 402,867      | 409,890        | 382,459      | 320,238      | 272,193      |
| 2,427,974    | 2,251,631    | 2,064,656      | 1,881,458    | 1,819,084    | 1,794,439    |
| 238,083      | 303,662      | 202,860        | 209,031      | 179,851      | 171,185      |
| 784,268      | 715,945      | 620,975        | 577,377      | 553,412      | 527,332      |
| 379,151      | 391,318      | 339,496        | 301,660      | 297,410      | 259,087      |
| 893,417      | 330,074      | 387,633        | 251,051      | 429,894      | 477,945      |
| 1,103,655    | 1,174,671    | 1,111,105      | 1,036,352    | 988,857      | 894,571      |
| 189,796      | 177,804      | 231,364        | 128,564      | 61,925       | 59,477       |
| -            | -            | -              | -            | -            | -            |
| 47,229       | 43,210       | 48,414         | 45,870       | 39,110       | 39,965       |
| 44,201       | 45,110       | 41,914         | 46,546       | 42,253       | 38,429       |
| -            | -            | -              | -            | 27,009       | -            |
| -            | -            | 524            | -            | -            | -            |
| 9,691,775    | 8,795,972    | 9,874,397      | 8,164,377    | 7,123,280    | 6,561,390    |
| 9,515,856    | 4,483,340    | (7,210,745)    | 5,009,536    | 7,349,989    | 4,050,815    |
| 200,000      | -            | 165,000        | -            | 218,938      | 92,060       |
| -            | -            | -              | -            | 193,050      | -            |
| 1,837        | -            | 8,611          | -            | -            | 856          |
| -            | -            | -              | -            | (193,050)    | 1,957        |
| -            | -            | -              | -            | -            | -            |
| -            | -            | -              | -            | (11,180)     | -            |
| -            | -            | -              | -            | -            | -            |
| 8,212        | 20,603       | 271,901        | 59,651       | 4,241        | 8,628        |
| 1,277,441    | 924,015      | 937,064        | 1,479,573    | 1,338,871    | 807,093      |
| (1,288,102)  | (930,719)    | (961,402)      | (1,483,716)  | (1,363,302)  | (801,164)    |
| 199,388      | 13,899       | 421,174        | 55,508       | 187,568      | 109,430      |
| -            | -            | (2,186)        | -            | -            | 393          |
| -            | -            | 652,961        | -            | -            | -            |
| \$ 9,715,244 | \$ 4,497,239 | \$ (6,138,796) | \$ 5,065,044 | \$ 7,537,557 | \$ 4,160,638 |
| 0.96%        | 1.02%        | 0.96%          | 1.15%        | 1.57%        | 1.23%        |

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

**SCHEDULE B-1**

| Fiscal Year | Ending Fund Market Value <sup>a</sup> | Nonspendable Fund Assets | Assigned Fund Assets <sup>b</sup> | Total Fund Return |
|-------------|---------------------------------------|--------------------------|-----------------------------------|-------------------|
| 2006        | \$ 32,910                             | \$ 30,325                | \$ 2,585                          | 11.0%             |
| 2007        | 37,826                                | 33,694                   | 4,132                             | 17.1%             |
| 2008        | 35,881                                | 30,912                   | 4,969                             | -3.6%             |
| 2009        | 29,916                                | 29,496                   | 420                               | -18.0%            |
| 2010        | 33,255                                | 32,045                   | 1,210                             | 11.7%             |
| 2011        | 40,140                                | 37,832                   | 2,308                             | 20.6%             |
| 2012        | 40,333                                | 38,252                   | 2,081                             | -0.01%            |
| 2013        | 44,853                                | 40,800                   | 4,054                             | 10.9%             |
| 2014        | 51,214                                | 45,002                   | 6,211                             | 15.5%             |
| 2015        | 52,801                                | 45,638                   | 7,163                             | 4.9%              |

**Annual Rate of Return by Asset Class <sup>c</sup>**

| Fiscal Year | Domestic Equities | International Equities | Global Equities | Domestic Bonds | Non-Dollar Bonds | Real Estate | Alternative Investments | Total Fund |
|-------------|-------------------|------------------------|-----------------|----------------|------------------|-------------|-------------------------|------------|
| 2006        | 10.0%             | 26.1%                  | NA <sup>c</sup> | -0.3%          | 0.6%             | 20.0%       | 11.3%                   | 11.0%      |
| 2007        | 19.2%             | 31.6%                  | 8.9%            | 6.2%           | 2.8%             | 18.1%       | 13.6%                   | 17.1%      |
| 2008        | -11.7%            | -5.5%                  | -10.2%          | 6.1%           | 10.9%            | 0.5%        | 1.0%                    | -3.6%      |
| 2009        | -24.8%            | -31.3%                 | -31.4%          | 3.3%           | 3.6%             | -18.4%      | -13.2%                  | -18.0%     |
| 2010        | 15.9%             | 11.8%                  | 11.6%           | 11.5%          | 7.9%             | -0.6%       | 13.5%                   | 11.7%      |
| 2011        | 33.4%             | 28.7%                  | 31.5%           | 5.3%           | 0.6%             | 16.9%       | 12.2%                   | 20.6%      |
| 2012        | 2.3%              | -14.6%                 | -4.7%           | 7.8%           | 6.5%             | 11.4%       | 1.4%                    | -0.01%     |
| 2013        | 22.4%             | 12.3%                  | 19.7%           | 0.4%           | 1.7%             | 10.8%       | 6.7%                    | 10.9%      |
| 2014        | 27.0%             | 20.2%                  | 25.0%           | 4.8%           | 5.5%             | 12.7%       | 13.5%                   | 15.5%      |
| 2015        | 7.2%              | -5.2%                  | 1.2%            | 1.2%           | -2.4%            | 9.8%        | 39.8%                   | 4.9%       |

**SOURCE:**

Alaska Permanent Fund Corporation

**NOTES:**

<sup>a</sup> 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.

<sup>b</sup> Assigned fund assets are defined in Alaska statute as the accumulation of cash flow and net realized gains from investments and are subject to appropriation by the Legislature. Historically, the assigned fund assets have primarily been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the nonspendable fund assets from inflation. The assigned fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The assigned fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer each year. The nonspendable and assigned fund assets are commingled for investment purposes.

<sup>c</sup> Returns are shown by major asset class only and are unaudited. For the year 2007 global equity returns are for six months only.

REVENUE BASE (Last Ten Fiscal Years)

Oil Severance Taxes

| Fiscal Year | Well-Head Value<br>(Restated)*** | Weighted Average Severance<br>Tax Rate **<br>(Restated)*** | Weighted Average Economic<br>Limit Factor (ELF) |
|-------------|----------------------------------|--|---|
| 2006        | \$56.69 per barrel               | 14.6%  | 58.26%  |
| 2007        | \$56.20 per barrel               | 18.0%  | Not Applicable                                  |
| 2008        | \$90.46 per barrel               | 41.3%  | Not Applicable                                  |
| 2009        | \$61.96 per barrel               | 33.6%  | Not Applicable                                  |
| 2010        | \$68.89 per barrel               | 29.1%  | Not Applicable                                  |
| 2011        | \$87.82 per barrel               | 37.3%  | Not Applicable                                  |
| 2012        | \$104.28 per barrel              | 42.7%  | Not Applicable                                  |
| 2013        | \$97.81 per barrel               | 38.6%  | Not Applicable                                  |
| 2014        | \$97.15 per barrel               | 27.9%  | Not Applicable                                  |
| 2015*       | \$63.17 per barrel               | 35.0%  | Not Applicable                                  |

\*Fiscal Year 2015 information is preliminary and subject to change.

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

\*\*\*Well-Head Value and Weighted Average Severance Tax Rate yearly figures are not final and prior years should be updated with final figure and they were not until now.

**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 More Alaska Production Act (MAPA).**

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

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

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

<sup>a</sup> The total number of barrels of oil equivalent produced

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

<sup>b</sup> Minus the number of royalty barrels

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

<sup>c</sup> Multiplied by the wellhead value

Destination value minus allowable marine and transportation costs of each barrel

<sup>2</sup> Costs = Lease expenditures, including qualified operating and capital expenses

<sup>3</sup> 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%.

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

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

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

MAPA: Includes a per-taxable-barrel credit of \$0 to \$8 per barrel, depending on oil prices, and a small producer credit of up to \$12 million per year for qualified companies.

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

The effective severance tax rate under the ELF was computed as: (Number of barrels produced less the number of royalty barrels) × the wellhead value × the severance tax rate × ELF. Production taxpayers paid under the ELF system through the end of December 2006, with a 'true-up' of tax liability under the PPT system due in April 2007. All revenues received at that time that were attributable to the PPT system were considered FY 2007 revenues.

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

|  | 2015   | 2006   |
|--|--|--|
| Alaska Statute 43.05.230 prohibits naming individual tax payers. | Five oil companies account for more than 99.7% of severance tax.               | Five oil companies account for more than 99.9% of severance tax.               |
| Amount of Revenue Base   | Five oil companies account for 186,037 thousands of barrels of oil production. | Five oil companies account for 300,630 thousands of barrels of oil production. |
| Percent of top payers to total oil production                    | 98.8%  | 99.4%  |
| Percent of top payers to total production tax revenue            | 99.7%  | 99.9%  |

SOURCE:

Alaska Department of Revenue, Tax Division

**REVENUE BASE (Last Ten Fiscal Years)**

| Fiscal Year | Gross Number of Barrels (Restated) <sup>2</sup> | Number of Barrels for Which Royalties are Charged (Restated) <sup>2</sup> | Weighted Average <sup>1</sup> Royalty Rate (Restated) <sup>2</sup> |
|-------------|---|---|--|
| 2006        | 311,071,123                                     | 39,949,476  | 12.84%   |
| 2007        | 275,669,062                                     | 35,278,415  | 12.80%   |
| 2008        | 266,385,320                                     | 34,145,652  | 12.82%   |
| 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%   |

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 should be updated in the following year with "final" figures and they were not for 2006-2010 until now.

**REVENUE PAYERS (Current Reporting Period and Period Nine Years Prior)**

|   | 2015  | 2006   |
|---|---|--|
| Top Payers  | Royalties from British Petroleum, ConocoPhillips, ExxonMobil, and Tesoro corporations comprise more than 82% of oil royalty barrels this fiscal year. | Royalties from British Petroleum, ConocoPhillips, and Flint Hills corporations comprise more than 90% of oil royalty barrels this fiscal year. |
| Amount of Revenue Base                              | British Petroleum, ConocoPhillips, ExxonMobil, and Tesoro corporations paid royalties on over 18.6 million barrels of oil this fiscal year.           | British Petroleum, ConocoPhillips, and Flint Hills corporations paid royalties on over 36 million barrels of oil this fiscal year.             |
| Percent of top payers to number of royalty barrels: | 82.49%  | 90.16%   |
| Percent of top payers to total royalty revenue:     | 79.25%  | 88.74%   |

**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<br>Year | General Bonded Debt                         |  |                            | Other Governmental Activities Debt |                                   |                                  |
|----------------|---|--|----------------------------|------------------------------------|-----------------------------------|----------------------------------|
|                | General<br>Obligation<br>Bonds <sup>b</sup> | Percentage<br>of Personal<br>Income <sup>a</sup> | Per<br>Capita <sup>a</sup> | Tobacco<br>Revenue<br>Bonds        | Sport Fishing<br>Revenue<br>Bonds | Certificates of<br>Participation |
| 2006           | \$ 433,916                                  | 1.85%  | \$ 654                     | \$ 207,995                         | \$ 68,345                         | \$ 74,770                        |
| 2007           | 404,866                                     | 1.56%  | 604                        | 387,252                            | 64,273                            | 65,275                           |
| 2008           | 375,808                                     | 1.38%  | 555                        | 381,399                            | 61,942                            | 56,990                           |
| 2009           | 520,019                                     | 1.72%  | 765                        | 372,374                            | 57,802                            | 51,415                           |
| 2010           | 489,517                                     | 1.62%  | 707                        | 371,298                            | 54,455                            | 45,605                           |
| 2011           | 655,633                                     | 2.08%  | 923                        | 370,677                            | 51,859                            | 39,600                           |
| 2012           | 609,961                                     | 1.85%  | 845                        | 365,871                            | 48,274                            | 11,375                           |
| 2013           | 893,966                                     | 2.47%  | 1,221                      | 360,774                            | 42,272                            | 4,910                            |
| 2014           | 691,720                                     | 1.88%  | 939                        | 353,680                            | 37,441                            | 3,345                            |
| 2015           | 656,599                                     | 1.68%  | 893                        | 348,696                            | 33,134                            | 35,277                           |

**NOTES:**

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements.

<sup>a</sup> 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.

<sup>b</sup> General Obligation bonds do not have any external restrictions for the repayment of debt. Total and net bonded debt are the same.



**SCHEDULE C-1**

|    | Capital<br>Leases | Business-type<br>Activities                   |                             | Percentage<br>of Personal<br>Income <sup>a</sup> | Per<br>Capita <sup>a</sup> |
|----|-------------------|---|-----------------------------|--|----------------------------|
|    |                   | International<br>Airports<br>Revenue<br>Bonds | Total Primary<br>Government |  |                            |
| \$ | 140,670           | \$ 646,238                                    | \$ 1,571,934                | 6.68%  | \$ 2,369                   |
|    | 130,311           | 633,152                                       | 1,685,129                   | 6.51%  | 2,515                      |
|    | 171,458           | 617,465                                       | 1,665,062                   | 6.10%  | 2,460                      |
|    | 410,846           | 582,893                                       | 1,995,349                   | 6.60%  | 2,936                      |
|    | 410,085           | 562,006                                       | 1,932,966                   | 6.40%  | 2,792                      |
|    | 392,636           | 593,597                                       | 2,104,002                   | 6.67%  | 2,962                      |
|    | 380,131           | 579,579                                       | 1,995,191                   | 6.05%  | 2,763                      |
|    | 341,765           | 565,029                                       | 2,208,716                   | 6.11%  | 3,016                      |
|    | 329,417           | 513,685                                       | 1,929,288                   | 5.23%  | 2,620                      |
|    | 308,262           | 497,155                                       | 1,874,621                   | 4.81%  | 2,548                      |

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

**SCHEDULE C-2**

| Fiscal Year   | Gross Revenues | Less: Operating Expenses | Net Available Revenues | Debt Service Principal | Debt Service Interest | Coverage |
|---|----------------|--------------------------|------------------------|------------------------|-----------------------|----------|
| <b>International Airports Revenue Bonds: <sup>a</sup></b>                                     |                |                          |                        |                        |                       |          |
| 2006  | \$ 107,125     | \$ 68,732                | 38,393                 | \$ 12,529              | \$ 21,011             | 1.14     |
| 2007  | 123,435        | 70,609                   | 52,826                 | 12,770                 | 31,675                | 1.19     |
| 2008  | 129,835        | 72,054                   | 57,781                 | 15,515                 | 30,450                | 1.26     |
| 2009  | 103,668        | 72,164                   | 31,504                 | 19,880                 | 29,711                | 0.64     |
| 2010  | 110,811        | 64,368                   | 46,443                 | 6,085                  | 28,491                | 1.34     |
| 2011  | 110,835        | 72,203                   | 38,632                 | 7,040                  | 27,447                | 1.12     |
| 2012  | 106,061        | 79,770                   | 26,291                 | 13,150                 | 28,047                | 0.64     |
| 2013  | 104,550        | 79,765                   | 24,785                 | 13,740                 | 27,468                | 0.60     |
| 2014  | 118,826        | 84,691                   | 34,135                 | 14,350                 | 26,862                | 0.83     |
| 2015  | 135,387        | 94,615                   | 40,772                 | 15,860                 | 24,346                | 1.01     |
| <b>Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: <sup>b</sup></b> |                |                          |                        |                        |                       |          |
| 2006  | \$ 17,136      | \$ -                     | 17,136                 | \$ -                   | \$ 12,264             | 1.40     |
| 2007  | 18,428         | -                        | 18,428                 | -                      | 11,996                | 1.54     |
| 2008  | 29,542         | -                        | 29,542                 | 3,360                  | 19,440                | 1.30     |
| 2009  | 30,972         | -                        | 30,972                 | -                      | 19,834                | 1.56     |
| 2010  | 25,294         | -                        | 25,294                 | -                      | 19,750                | 1.28     |
| 2011  | 23,598         | -                        | 23,598                 | -                      | 18,092                | 1.30     |
| 2012  | 24,072         | -                        | 24,072                 | -                      | 17,837                | 1.35     |
| 2013  | 24,094         | -                        | 24,094                 | 645                    | 17,546                | 1.32     |
| 2014  | 25,856         | -                        | 25,856                 | 3,660                  | 17,238                | 1.24     |
| 2015  | 23,386         | -                        | 23,386                 | 9,670                  | 16,529                | 0.89     |
| <b>Sport Fishing Revenue Bonds: <sup>c</sup></b>  |                |                          |                        |                        |                       |          |
| 2006  | \$ 1,296       | \$ -                     | \$ 1,296               | \$ -                   | \$ -                  | 0.00     |
| 2007  | 7,418          | -                        | 7,418                  | 2,415                  | 2,883                 | 1.40     |
| 2008  | 7,483          | -                        | 7,483                  | 2,295                  | 2,923                 | 1.43     |
| 2009  | 6,636          | -                        | 6,636                  | 2,385                  | 2,831                 | 1.27     |
| 2010  | 5,825          | -                        | 5,825                  | 2,485                  | 2,649                 | 1.13     |
| 2011  | 5,957          | -                        | 5,957                  | 2,580                  | 2,510                 | 1.17     |
| 2012  | 6,025          | -                        | 6,025                  | 3,015                  | 2,075                 | 1.18     |
| 2013  | 5,755          | -                        | 5,755                  | 5,600                  | 2,145                 | 0.74     |
| 2014  | 6,334          | -                        | 6,334                  | 4,540                  | 1,902                 | 0.98     |
| 2015  | 6,476          | -                        | 6,476                  | 4,030                  | 1,619                 | 1.15     |

**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.

<sup>a</sup> The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.

<sup>b</sup> 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.

<sup>c</sup> 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**  
**Demographic and Economic Information - Statistics**  
**Last Ten Calendar Years**

**SCHEDULE D-1**

| Year | Population <sup>1</sup> | Personal<br>Income<br>(Stated in Millions) <sup>2</sup> | Alaska<br>Per Capita<br>Personal<br>Income <sup>2</sup> | United States<br>Per Capita<br>Personal<br>Income <sup>2</sup> | Median<br>Age <sup>1</sup> | Unemployment<br>Rate <sup>1</sup> |
|------|-------------------------|---|---|--|----------------------------|-----------------------------------|
| 2005 | 663,661                 | \$ 23,515   | \$ 35,433   | \$ 33,050  | 33.4                       | 6.8%                              |
| 2006 | 670,053                 | 25,879  | 38,622  | 34,471   | 33.5                       | 6.7%                              |
| 2007 | 676,987                 | 27,294  | 39,934  | 36,714   | 33.5                       | 6.2%                              |
| 2008 | 679,720                 | 30,224  | 44,039  | 40,208   | 33.5                       | 6.7%                              |
| 2009 | 692,314                 | 30,180  | 43,209  | 39,626   | 33.5                       | 8.0%                              |
| 2010 | 710,231                 | 31,562  | 44,205  | 39,945   | 33.8                       | 8.0%                              |
| 2011 | 722,190                 | 33,003  | 45,665  | 41,560   | 33.9                       | 7.6%                              |
| 2012 | 732,298                 | 36,159  | 49,436  | 43,735   | 34.1                       | 7.0%                              |
| 2013 | 736,399                 | 36,867  | 50,150  | 44,765   | 34.3                       | 6.5%                              |
| 2014 | 735,601                 | 38,974  | 52,901  | 46,129   | 34.4                       | 6.8%                              |

**SOURCES:**

<sup>1</sup> Alaska Department of Labor and Workforce Development, Research and Analysis Section

<sup>2</sup> U.S. Department of Commerce, Bureau of Economic Analysis

**NOTE:**

At the time of preparation, data provided by the U.S. Department of Commerce, Bureau of Economic Analysis is preliminary.

**STATE OF ALASKA**  
**Demographic and Economic Information - Employment by Industry**  
**Calendar Year 2014 and Period Nine Years Prior**

**SCHEDULE D-2**

| Industry                          | 2014           |      |  | 2005           |      |  |
|-----------------------------------|----------------|------|--|----------------|------|--|
|                                   | Employment     | Rank | Percentage of<br>Total State<br>Employment | Employment     | Rank | Percentage of<br>Total State<br>Employment |
| Retail Trade                      | 36,700         | 1    | 10.23%                                     | 35,800         | 1    | 10.88%                                     |
| Health Care                       | 33,800         | 2    | 9.42%                                      | 25,830         | 2    | 7.85%                                      |
| Military                          | 22,000         | 3    | 6.13%                                      | 21,100         | 3    | 6.41%                                      |
| Food Service and Drinking Places  | 20,900         | 4    | 5.82%                                      | 18,900         | 5    | 5.75%                                      |
| Local Government Education        | 20,600         | 5    | 5.74%                                      | 20,400         | 4    | 6.20%                                      |
| Transportation                    | 19,000         | 6    | 5.30%                                      | 18,800         | 6    | 5.72%                                      |
| State Government (Non Education)  | 18,800         | 7    | 5.24%                                      | 17,000         | 9    | 5.17%                                      |
| Local Government (Non Education)  | 18,100         | 8    | 5.04%                                      | 17,800         | 8    | 5.41%                                      |
| Construction                      | 17,100         | 9    | 4.77%                                      | 18,530         | 7    | 5.63%                                      |
| Federal Government (Non Military) | 14,900         | 10   | 4.15%                                      | 17,000         | 10   | 5.17%                                      |
| Total                             | <u>221,900</u> |      | <u>61.85%</u>                              | <u>211,160</u> |      | <u>64.20%</u>                              |
| Total Employment <sup>a</sup>     | <u>358,800</u> |      |  | <u>328,935</u> |      |  |

**SOURCE:**

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

**NOTES:**

<sup>a</sup> Standard wage and salary employment totals supplemented by active-duty military totals.



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

**SCHEDULE E-1**

| <b>FUNCTION</b>           | <b>2015</b>   | <b>2014</b>   | <b>2013</b>   | <b>2012</b>   |
|---------------------------|---------------|---------------|---------------|---------------|
| General Government        | 2,330         | 2,250         | 2,213         | 2,272         |
| Education                 | 410           | 403           | 402           | 421           |
| Health and Human Services | 3,183         | 3,035         | 2,988         | 2,930         |
| Law and Justice           | 1,717         | 1,670         | 1,659         | 1,710         |
| Public Protection         | 3,665         | 3,794         | 3,617         | 3,481         |
| Natural Resources         | 2,231         | 2,137         | 2,140         | 2,230         |
| Development               | 694           | 709           | 784           | 812           |
| Transportation            | 3,042         | 2,961         | 3,045         | 3,169         |
| Totals                    | <u>17,272</u> | <u>16,959</u> | <u>16,848</u> | <u>17,025</u> |

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

**SCHEDULE E-1**

| 2011   | 2010   | 2009   | 2008   | 2007   | 2006   |
|--------|--------|--------|--------|--------|--------|
| 2,248  | 2,158  | 2,225  | 2,137  | 2,139  | 2,101  |
| 434    | 432    | 419    | 414    | 423    | 409    |
| 2,921  | 2,873  | 2,694  | 2,816  | 2,599  | 2,511  |
| 1,685  | 1,671  | 1,642  | 1,587  | 1,550  | 1,498  |
| 3,511  | 3,582  | 3,540  | 3,297  | 3,634  | 3,588  |
| 2,195  | 2,131  | 2,031  | 1,994  | 1,978  | 1,932  |
| 826    | 822    | 775    | 745    | 748    | 794    |
| 3,131  | 3,052  | 3,060  | 2,987  | 2,979  | 2,940  |
| 16,951 | 16,721 | 16,386 | 15,977 | 16,050 | 15,773 |

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

**SCHEDULE E-2**

| <b>FUNCTION</b>  | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|-------------|-------------|
| Alaska Permanent Fund Dividend   |             |             |             |             |
| Number of Dividends Paid <sup>a</sup>  |             | 636,088     | 633,017     | 640,700     |
| Education  |             |             |             |             |
| Student Enrollment in State Supported Schools (pre-elementary through grade 12)                  | 131,882     | 131,577     | 132,185     | 131,682     |
| University   |             |             |             |             |
| Student Enrollment in the State University System (average head count over both semesters)       | 31,587      | 32,363      | 33,654      | 35,082      |
| Health and Human Services  |             |             |             |             |
| Medicaid Beneficiaries   | 151,591     | 156,595     | 138,790     | 136,913     |
| Temporary Assistance Caseload  | 3,195       | 3,547       | 3,661       | 3,803       |
| Protective Services Reports Regarding Children   | 15,958      | 15,859      | 15,721      | 16,288      |
| Law and Justice  |             |             |             |             |
| Criminal Caseload - Misdemeanors   | 22,196      | 21,327      | 21,710      | 21,672      |
| Criminal Caseload - Felonies and Appeals   | 7,441       | 8,500       | 8,752       | 8,233       |
| Civil Caseload   | 6,201       | 6,065       | 6,133       | 6,485       |
| Public Protection  |             |             |             |             |
| Adult Offenders in Correctional Facilities   | 6,288       | 6,304       | 6,120       | 6,023       |
| Juvenile Offenders in Detention or Treatment Facilities  | 170         | 158         | 157         | 199         |
| National Guard Assigned Strength in Alaska   | 3,847       | 3,968       | 3,860       | 3,949       |
| Number of Homicides Investigated by State Troopers   | 28          | 18          | 22          | 14          |
| Natural Resources  |             |             |             |             |
| Wholesale Value of Alaska Commercial Fish Harvests (stated in thousands of dollars) <sup>a</sup> |             | 2,815,654   | 3,158,152   | 2,841,699   |
| Recreation Acres State Owned or Maintained <sup>e</sup>  | 12,626,004  | 12,622,086  | 12,622,881  | 12,622,881  |
| State Timber Sold Annually (million board feet)  | 20.9        | 28.5        | 9           | 22.5        |
| State Acreage leased for Oil and Gas Development <sup>d</sup>                                    | 5,752,866   | 5,857,373   | 5,938,891   | 5,398,580   |
| Placer Mines Permitted   | 403         | 430         | 603         | 562         |
| Development  |             |             |             |             |
| Number of State Business Licenses  | 68,935      | 68,503      | 51,310      | 66,737      |
| Transportation   |             |             |             |             |
| Annual Fatalities per 100 Million Miles of Vehicle Travel in AK <sup>a, c</sup>                  |             | 1.50        | 1.05        | 1.23        |
| State Ferry Route Miles  | 3,290       | 3,290       | 3,290       | 3,290       |
| Intergovernmental Revenue Sharing  |             |             |             |             |
| Number of Communities that Receive a Portion of Shared Taxes and Fees                            | 150         | 144         | 144         | 144         |
| Loans  |             |             |             |             |
| Number of Loans in Portfolio   | 1,515       | 1,643       | 1,668       | 1,846       |
| Unemployment Compensation  |             |             |             |             |
| Initial Claims Paid <sup>a</sup>   |             | 72,998      | 83,554      | 79,743      |
| Airports <sup>b</sup>  |             |             |             |             |
| Landings:  |             |             |             |             |
| Jets   | 60,909      | 61,637      | 62,998      | 66,787      |
| Other Aircraft   | 51,504      | 51,850      | 46,812      | 46,432      |
| Passengers:  |             |             |             |             |
| In   | 3,178,340   | 3,043,991   | 2,947,939   | 2,961,887   |
| Out  | 3,167,655   | 3,030,809   | 2,494,044   | 2,955,646   |
| Through  | 90,291      | 105,266     | 106,914     | 150,449     |
| Freight (in tons):   |             |             |             |             |
| In   | 350,231     | 387,142     | 426,802     | 496,126     |
| Out  | 317,992     | 326,308     | 374,096     | 441,201     |

**SOURCES:**

Various state departments and the University of Alaska.

**NOTES:**

Indicators are not available for the general government function.

<sup>a</sup> Data is only provided on a calendar year basis.

<sup>b</sup> Data is for the Anchorage and Fairbanks International Airports.

<sup>c</sup> Data has been finalized for the year before last (2013). Data for last year (2014) is provisional.

<sup>d</sup> The methodology of calculating this statistic was restated from FY 2006 and forward to include all acreage leased or licensed at any time during the fiscal year.

<sup>e</sup> Data updated for 2014.



**SCHEDULE E-2**

| 2011       | 2010       | 2009       | 2008       | 2007       | 2006       |
|------------|------------|------------|------------|------------|------------|
| 644,156    | 641,112    | 623,707    | 615,513    | 595,237    | 591,965    |
| 132,104    | 131,662    | 130,685    | 131,029    | 132,608    | 133,288    |
| 34,528     | 33,821     | 31,888     | 32,324     | 32,515     | 32,740     |
| 132,991    | 134,535    | 123,791    | 117,472    | 121,864    | 122,975    |
| 3,619      | 3,198      | 3,027      | 3,109      | 6,335      | 3,658      |
| 16,067     | 14,629     | 13,441     | 11,599     | 11,400     | 10,192     |
| 23,138     | 23,818     | 22,351     | 23,973     | 23,609     | 23,060     |
| 8,592      | 8,571      | 7,796      | 8,466      | 8,469      | 11,462     |
| 6,116      | 6,493      | 6,290      | 5,644      | 5,750      | 6,718      |
| 5,864      | 5,602      | 5,319      | 5,384      | 5,236      | 5,073      |
| 185        | 211        | 202        | 228        | 237        | 250        |
| 4,043      | 3,845      | 3,785      | 4,242      | 3,872      | 3,785      |
| 18         | 9          | 15         | 14         | 12         | 10         |
| 2,903,915  | 2,497,060  | 1,970,607  | 2,607,666  | 2,326,176  | 2,055,625  |
| 11,892,818 | 11,931,889 | 11,834,483 | 11,535,850 | 11,663,339 | 11,444,009 |
| 24.1       | 12.5       | 15.5       | 61.0       | 82.9       | 25.0       |
| 6,150,545  | 6,669,020  | 6,969,870  | 7,119,574  | 6,666,274  | 4,771,509  |
| 486        | 107        | 194        | 260        | 178        | 345        |
| 63,618     | 65,096     | 59,751     | 62,187     | 65,331     | 66,615     |
| 1.57       | 1.17       | 1.30       | 1.29       | 1.61       | 1.49       |
| 3,274      | 2,829      | 2,829      | 2,829      | 2,829      | 2,829      |
| 147        | 148        | 146        | 142        | 146        | 145        |
| 2,158      | 2,280      | 2,064      | 2,168      | 2,277      | 2,263      |
| 72,696     | 94,592     | 122,830    | 93,072     | 89,442     | 93,609     |
| 71,499     | 69,927     | 65,945     | 84,366     | 80,652     | 81,040     |
| 45,632     | 42,959     | 45,399     | 68,253     | 46,940     | 46,022     |
| 2,926,922  | 2,804,494  | 2,926,772  | 3,043,533  | 2,889,786  | 2,868,053  |
| 2,939,191  | 2,823,969  | 2,893,374  | 3,002,133  | 2,873,803  | 2,860,859  |
| 221,529    | 240,331    | 227,164    | 360,572    | 364,850    | 284,947    |
| 414,014    | 361,019    | 288,650    | 366,907    | 369,743    | 338,401    |
| 374,048    | 326,277    | 326,797    | 417,979    | 393,279    | 382,645    |

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

**SCHEDULE E-3**

| <b>FUNCTION</b>                                   | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|-------------|-------------|
| Primary Government:                               |             |             |             |             |
| General Government                                |             |             |             |             |
| Buildings (square feet)                           | 937,638     | 941,144     | 932,305     | 921,990     |
| Education   |             |             |             |             |
| Buildings (square feet)                           | 1,886,872   | 1,922,210   | 2,010,102   | 2,180,240   |
| Schools   | 92          | 94          | 97          | 114         |
| Schools Under Construction                        | 16          | 29          | 28          | 25          |
| Health and Human Services                         |             |             |             |             |
| Buildings (square feet)                           | 1,281,004   | 1,269,375   | 1,258,620   | 1,188,573   |
| Pioneer Homes                                     | 6           | 6           | 6           | 6           |
| Law and Justice                                   |             |             |             |             |
| Buildings (square feet)                           | 691,178     | 698,420     | 698,636     | 693,392     |
| Court Buildings                                   | 13          | 13          | 13          | 13          |
| Public Protection                                 |             |             |             |             |
| Buildings (square feet)                           | 1,475,111   | 1,586,955   | 1,523,692   | 1,411,646   |
| Correctional Institutions                         | 13          | 13          | 13          | 11          |
| Aircraft  | 19          | 19          | 17          | 18          |
| Motor Vessels                                     | 25          | 24          | 23          | 22          |
| National Guard Armories                           | 21          | 21          | 21          | 21          |
| Natural Resources                                 |             |             |             |             |
| Buildings (square feet)                           | 897,974     | 894,020     | 901,530     | 904,724     |
| Parks Acreage                                     | 3,357,444   | 3,357,393   | 3,357,393   | 3,357,393   |
| Forest Acreage                                    | 2,144,680   | 2,144,680   | 2,144,680   | 2,144,680   |
| Other State Land Acreage                          | 94,991,360  | 94,964,340  | 94,966,591  | 94,909,670  |
| Aircraft  | 5           | 5           | 3           | 3           |
| Motor Vessels                                     | 10          | 11          | 11          | 11          |
| Development                                       |             |             |             |             |
| Buildings (square feet)                           | 279,392     | 296,453     | 330,084     | 329,430     |
| Transportation                                    |             |             |             |             |
| Buildings (square feet)                           | 1,224,279   | 1,238,694   | 1,282,466   | 1,285,261   |
| Light Duty Vehicles                               | 3,730       | 3,686       | 3,097       | 3,225       |
| Heavy Duty Utility Vehicles                       | 2,238       | 2,236       | 2,162       | 2,102       |
| Ferries   | 11          | 11          | 11          | 11          |
| Building Projects Under Construction              | 151         | 173         | 167         | 152         |
| Rural Airports                                    | 247         | 254         | 253         | 253         |
| Rural Airport Projects Under Construction         | 381         | 372         | 357         | 401         |
| Centerline Road Miles <sup>a</sup>                | -           | 5,592       | 5,589       | 5,609       |
| Highway Projects Under Construction               | 832         | 897         | 910         | 831         |
| Business-type Activities:                         |             |             |             |             |
| Airports (Anchorage and Fairbanks International)  |             |             |             |             |
| Terminals (square feet)                           | 1,320,737   | 1,320,737   | 1,320,737   | 1,271,568   |
| International Airport (acreage)                   | 8,288       | 8,288       | 8,168       | 8,244       |
| International Airport Projects Under Construction | 94          | 83          | 94          | 98          |
| Runways (miles)                                   | 10          | 10          | 10          | 10          |

**NOTES:**

<sup>a</sup> Centerline road miles are calculated on a calendar year basis.

**SCHEDULE E-3**

| 2011       | 2010       | 2009       | 2008       | 2007       | 2006       |
|------------|------------|------------|------------|------------|------------|
| 891,302    | 828,694    | 880,198    | 803,175    | 764,192    | 738,676    |
| 2,037,695  | 2,200,336  | 2,340,905  | 2,331,178  | 2,354,648  | 2,728,657  |
| 106        | 111        | 119        | 119        | 105        | 117        |
| 23         | 36         | 39         | 39         | 35         | 17         |
| 1,157,282  | 1,103,295  | 1,065,828  | 1,058,616  | 928,505    | 882,511    |
| 6          | 6          | 6          | 6          | 6          | 6          |
| 667,637    | 641,456    | 649,529    | 596,631    | 553,687    | 526,659    |
| 13         | 13         | 13         | 13         | 13         | 13         |
| 1,391,021  | 1,375,250  | 1,400,619  | 1,239,332  | 1,298,482  | 1,261,043  |
| 11         | 11         | 11         | 11         | 11         | 11         |
| 18         | 16         | 16         | 16         | 16         | 16         |
| 22         | 22         | 22         | 21         | 21         | 19         |
| 21         | 21         | 21         | 21         | 21         | 21         |
| 869,809    | 818,066    | 803,675    | 749,618    | 706,814    | 678,899    |
| 3,300,000  | 3,381,858  | 3,356,810  | 3,356,810  | 3,353,805  | 3,326,019  |
| 2,121,499  | 2,122,899  | 2,097,608  | 2,097,608  | 2,232,400  | 2,066,000  |
| 92,134,583 | 91,858,588 | 90,309,649 | 88,505,417 | 86,166,329 | 84,430,236 |
| 3          | 3          | 3          | 3          | 3          | 3          |
| 9          | 9          | 9          | 9          | 9          | 9          |
| 327,102    | 315,477    | 306,678    | 279,924    | 267,229    | 279,168    |
| 1,240,569  | 1,172,039  | 1,210,953  | 1,122,960  | 1,064,449  | 1,033,511  |
| 3,461      | 3,822      | 3,756      | 3,671      | 3,609      | 3,366      |
| 2,064      | 1,847      | 1,781      | 1,760      | 1,668      | 1,861      |
| 11         | 11         | 11         | 11         | 11         | 11         |
| 166        | 154        | 119        | 119        | 105        | 112        |
| 252        | 253        | 256        | 256        | 256        | 256        |
| 373        | 394        | 409        | 383        | 339        | 358        |
| 5,608      | 5,619      | 5,601      | 5,595      | 5,606      | 5,603      |
| 827        | 807        | 801        | 808        | 782        | 767        |
| 1,271,568  | 1,271,568  | 1,295,864  | 1,280,864  | 1,280,864  | 1,280,864  |
| 8,244      | 8,244      | 8,244      | 8,153      | 8,153      | 8,153      |
| 122        | 107        | 117        | 105        | 121        | 117        |
| 8          | 8          | 8          | 8          | 8          | 6          |



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# Index of Funds

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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2015**

**INDEX OF FUNDS**

| <b>Fund Description</b>   | <b>Authority</b>                                   | <b>Separately<br/>Reported?</b> | <b>Fund or<br/>Group</b> | <b>Statement<br/>Number</b> |
|---|--|---------------------------------|--------------------------|-----------------------------|
| 2008 Transportation Project (GO Bonds)                              | Ch 30, SLA 2008                                    | Yes                             | CPF                      | 3.51, 3.52                  |
| 2010 Education Project (GO Bonds)                                   | Ch 95, SLA 2010                                    | Yes                             | CPF                      | 3.51, 3.52                  |
| 2012 Transportation Project (GO Bonds)                              | Ch 18, SLA 2012                                    | Yes                             | CPF                      | 3.51, 3.52                  |
| Abandoned Motor Vehicles  | AS 28.11.110                                       | No                              | GF                       | 3.01, 3.02                  |
| Adak Airport Operations   | PL 101-510   | No                              | GF                       | 3.01, 3.02                  |
| Agricultural Revolving Loan   | AS 03.10.040                                       | Yes                             | OAEF                     | 4.31 - 4.33                 |
| Alaska Aerospace Corporation  | AS 26.27.010                                       | Yes                             | DPCU                     | 6.01, 6.02                  |
| Alaska Capital Income   | AS 37.05.565                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Capstone Avionics Revolving Loan                             | AS 44.33.655                                       | Yes                             | CAEF                     | 4.11 - 4.13                 |
| Alaska Clean Water  | AS 46.03.032                                       | Yes                             | OAEF                     | 4.31 - 4.33                 |
| Alaska Debt Retirement  | AS 37.15.011                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Drinking Water   | AS 46.03.036                                       | Yes                             | OAEF                     | 4.31 - 4.33                 |
| Alaska Energy Authority   | AS 44.83.020                                       | Yes                             | DPCU                     | 6.01, 6.02                  |
| Alaska Fish and Game Revenue Bond Redemption                        | AS 37.15.770                                       | Yes                             | DSF                      | 3.41, 3.42                  |
| Alaska Gasline Development Corporation                              | AS 31.25.010                                       | Yes                             | DPCU                     | 6.01, 6.02                  |
| Alaska Gasline Inducement Act Reimbursement                         | AS 43.90.400                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Higher Education Investment                                  | AS 37.14.750                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Historical Commission Receipts Account                       | AS 41.35.380                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Housing Capital Corporation                                  | AS 18.56.086                                       | Yes                             | SRF                      | 3.31 - 3.33                 |
| Alaska Housing Finance Corporation                                  | AS 18.56.020                                       | Yes                             | DPCU                     | 1.41, 1.42                  |
| Alaska Industrial Development and Export<br>Authority               | AS 44.88.020<br>AS 44.88.600<br>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<br>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<br>Retirement System | AS 26.05.222                                       | Yes                             | PTF                      | 5.01, 5.02                  |
| Alaska Permanent Fund   | Constitution, Art. IX, sec. 15                     | Yes                             | PF                       | 1.11 - 1.14                 |
| Alaska Public Building  | AS 37.05.570                                       | Yes                             | ISF                      | 4.41 - 4.43                 |
| Alaska Railroad Corporation   | AS 42.40.010                                       | Yes                             | DPCU                     | 6.01, 6.02                  |
| Alaska Seafood Marketing Institute                                  | AS 16.51.010                                       | Yes                             | DPCU                     | 6.01 - 6.04                 |
| Alaska Senior Care  | AS 47.45.360                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Student Loan Corporation                                     | AS 14.42.100                                       | Yes                             | DPCU                     | 6.01, 6.02                  |
| Alaska Technical and Vocational Education<br>Program                | AS 23.15.830                                       | No                              | GF                       | 3.01, 3.02                  |
| Alaska Transportation Infrastructure Bank                           | Section 350 of the NHSD<br>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<br>Prevention            | AS 43.60.050                                       | No                              | GF                       | 3.01, 3.02                  |

**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2015**

**INDEX OF FUNDS**

| <b>Fund Description</b>                              | <b>Authority</b>  | <b>Separately Reported?</b> | <b>Fund or Group</b> | <b>Statement Number</b> |
|--|---|-----------------------------|----------------------|-------------------------|
| Alcoholism and Drug Abuse Revolving Loan             | AS 44.29.210  | Yes                         | OAEF                 | 4.31 - 4.33             |
| Alternative Energy Conservation Revolving Loan       | AS 45.88.010  | Yes                         | EAEF                 | 4.21 - 4.23             |
| Alyeska Settlement Trust                             | Consent decree between U.S., Alaska, and Alyeska Pipeline Service Company | Yes                         | SRF                  | 3.31 - 3.33             |
| Anatomical Gift Awareness                            | AS 13.50.160(a)   | No                          | GF                   | 3.01, 3.02              |
| Art in Public Places                                 | AS 44.27.060  | No                          | GF                   | 3.01, 3.02              |
| Assistive Technology Loan Guarantee                  | AS 23.15.125  | No                          | GF                   | 3.01, 3.02              |
| Building Safety Account                              | AS 44.31.025  | No                          | GF                   | 3.01, 3.02              |
| Bulk Fuel Revolving Loan                             | AS 42.45.250  | Yes                         | EAEF                 | 4.21 - 4.23             |
| Civil Legal Services                                 | AS 37.05.590  | No                          | GF                   | 3.01, 3.02              |
| Clean Air Protection                                 | AS 46.14.260  | Yes                         | SRF                  | 3.31 - 3.33             |
|  | Federal Clean Air Act   |                             |                      |                         |
| Commercial Charter Fisheries Revolving Loan          | AS 16.10.801  | Yes                         | CAEF                 | 4.11 - 4.13             |
| Commercial Fishing Revolving Loan                    | AS 16.10.340  | Yes                         | CAEF                 | 4.11 - 4.13             |
| Commercial Passenger Vessel Environmental Compliance | AS 46.03.482  | No                          | GF                   | 3.01, 3.02              |
| Commercial Vessel Passenger Tax                      | AS 43.35.220  | No                          | GF                   | 3.01, 3.02              |
|  | AS 43.52.230(a)   |                             |                      |                         |
| Community Quota Entity Revolving Loan                | AS 16.10.345  | Yes                         | CAEF                 | 4.11 - 4.13             |
| Community Revenue Sharing                            | AS 29.60.850  | No                          | GF                   | 3.01, 3.02              |
| Constitutional Budget Reserve                        | Constitution, Art. IX, sec. 17  | Yes                         | GF                   | 3.01, 3.02              |
|  | AS 37.13  |                             |                      |                         |
| Crime Victims Compensation                           | AS 18.67.162  | No                          | GF                   | 3.01, 3.02              |
| Deferred Compensation                                | AS 39.45.010  | Yes                         | PTF                  | 5.01, 5.02              |
| Deposits, Suspense, and Miscellaneous                |   | Yes                         | AF                   | 5.11, 5.12              |
| Disaster Relief                                      | AS 26.23.300  | No                          | GF                   | 3.01, 3.02              |
| Donated Commodity Fee                                | USC 7 CFR, Part 250   | No                          | GF                   | 3.01, 3.02              |
| Educational Facilities Maintenance and Construction  | AS 37.05.560  | No                          | GF                   | 3.01, 3.02              |
| Election   | Federal H.R. 3295   | No                          | GF                   | 3.01, 3.02              |
| Employment Assistance and Training Program Account   | AS 23.15.625  | No                          | GF                   | 3.01, 3.02              |
| Exxon Valdez Oil Spill Investment Trust              | PL 106-113  | Yes                         | AF                   | 5.11, 5.12              |
| Exxon Valdez Oil Spill Restoration                   | U.S. District Court Judgment  | Yes                         | SRF                  | 3.31 - 3.33             |
| Exxon Valdez 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             |



**STATE OF ALASKA**  
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| <b>Fund Description</b>  | <b>Authority</b>                     | <b>Separately<br/>Reported?</b> | <b>Fund or<br/>Group</b> | <b>Statement<br/>Number</b> |
|--|--------------------------------------|---------------------------------|--------------------------|-----------------------------|
| Fishermen's  | AS 23.35.060                         | Yes                             | SRF                      | 3.31 - 3.33                 |
| Fuel Emergency   | AS 26.23.400                         | No                              | GF                       | 3.01, 3.02                  |
| Fund for the Improvement of School Performance                       | AS 14.03.125                         | No                              | GF                       | 3.01, 3.02                  |
| General Fund   | Operating fund of the State          | Yes                             | GF                       | 3.01, 3.02                  |
| General Obligation Bond Redemption                                   | Various SLAs                         | Yes                             | DSF                      | 3.41, 3.42                  |
| Group Health and Life Benefits                                       | AS 39.30.095                         | Yes                             | ISF                      | 4.41 - 4.43                 |
| Highways Equipment Working Capital                                   | AS 44.68.210                         | Yes                             | ISF                      | 4.41 - 4.43                 |
| Historical District Revolving Loan                                   | AS 45.98.010                         | Yes                             | CAEF                     | 4.11 - 4.13                 |
| Impact Aid   | Federal PL 103-382                   | Yes                             | AF                       | 5.11, 5.12                  |
| Information Services   | AS 44.21.045                         | Yes                             | ISF                      | 4.41 - 4.43                 |
| International Airports   | AS 37.15.410-550                     | Yes                             | OAEF                     | 1.21 - 1.23                 |
| Judicial Retirement System   | AS 22.25.048                         | Yes                             | PTF                      | 5.01, 5.02                  |
| Knik Arm Bridge and Toll Authority                                   | AS 19.75.021                         | Yes                             | OAEF                     | 4.31 - 4.33                 |
| Major Maintenance Grant  | AS 14.11.007                         | No                              | GF                       | 3.01, 3.02                  |
| Mariculture Revolving Loan   | AS 16.10.900                         | Yes                             | CAEF                     | 4.11 - 4.13                 |
| Memorial Education Revolving Loan                                    | AS 14.43.255                         | No                              | GF                       | 3.01, 3.02                  |
| Mine Reclamation Trust   | AS 37.14.800                         | Yes                             | SRF                      | 3.31 - 3.33                 |
| Mining Revolving Loan  | AS 27.09.010                         | Yes                             | CAEF                     | 4.11 - 4.13                 |
| Municipal Capital Project Matching Grant                             | AS 37.06.010                         | No                              | GF                       | 3.01, 3.02                  |
| Municipal Harbor Facility Grant                                      | AS 29.60.800                         | No                              | GF                       | 3.01, 3.02                  |
| National Petroleum Reserve   | AS 37.05.530                         | Yes                             | SRF                      | 3.31 - 3.33                 |
| Northern Tobacco Securitization Corporation                          | AS 18.56.086                         | Yes                             | SRF                      | 3.31 - 3.33                 |
| Northern Tobacco Securitization Corporation Bond<br>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<br>and Response       | AS 46.08.010                         | No                              | GF                       | 3.01, 3.02                  |
| Oil and Hazardous Substance Release Prevention<br>Mitigation Account | AS 46.08.020(b)                      | No                              | GF                       | 3.01, 3.02                  |
| Oil and Hazardous Substance Release Response<br>Mitigation Account   | AS 46.08.025(b)                      | No                              | GF                       | 3.01, 3.02                  |
| Originator Surety  | AS 06.60.500                         | No                              | GF                       | 3.01, 3.02                  |
| Permanent Fund Dividend  | AS 43.23.045                         | Yes                             | GF                       | 3.01, 3.02                  |
| Public Advocacy Trust  | AS 44.21.410                         | Yes                             | AF                       | 5.11, 5.12                  |
| Public Education   | AS 14.17.300                         | Yes                             | GF                       | 3.01, 3.02                  |
| Public Employees' Retirement System                                  | AS 39.35.095-680<br>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<br>20 USC 107-107(f)    | No                              | GF                       | 3.01, 3.02                  |
| Real Estate Recovery   | AS 08.88.450                         | No                              | GF                       | 3.01, 3.02                  |
| Reclamation Bonding Pool   | AS 27.19.040                         | Yes                             | SRF                      | 3.31 - 3.33                 |
| Regional Cruise Ship Impact Fund                                     | AS 43.52.230(c)                      | No                              | GF                       | 3.01, 3.02                  |
| Regional Educational Attendance Area School                          | AS 14.11.030                         | No                              | GF                       | 3.01, 3.02                  |

**STATE OF ALASKA**  
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**INDEX OF FUNDS**

| <b>Fund Description</b>                                       | <b>Authority</b>                            | <b>Separately Reported?</b> | <b>Fund or Group</b> | <b>Statement Number</b> |
|---|---|-----------------------------|----------------------|-------------------------|
| Residential Energy Conservation                               | AS 45.88.100                                | Yes                         | EAEF                 | 4.21 - 4.23             |
| Retiree Health  | AS 39.35.535, AS 14.25.168,<br>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)<br>AS 44.68.130          | No                          | GF                   | 3.01, 3.02              |
| Teachers' Retirement System                                   | AS 14.25.009-220<br>AS 14.25.310-590        | Yes                         | PTF                  | 5.01, 5.02              |
| Tobacco Use Education and Cessation                           | AS 37.05.580                                | No                          | GF                   | 3.01, 3.02              |
| Training and Building   | AS 23.20.130(d)                             | No                          | GF                   | 3.01, 3.02              |
| Trans-Alaska Pipeline Liability (TAPS) Rebate                 | Federal PL 101-380                          | No                          | GF                   | 3.01, 3.02              |
| Trauma Care Fund  | AS 18.08.085                                | No                          | GF                   | 3.01, 3.02              |
| Unemployment Compensation                                     | AS 23.20.130                                | Yes                         | OAEF                 | 4.31 - 4.33             |
| Unincorporated Community Capital Project Matching Grant       | AS 37.06.020                                | No                          | GF                   | 3.01, 3.02              |
| University of Alaska  | AS 14.40.040                                | Yes                         | DPCU                 | 1.41, 1.42              |
| 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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**STATE OF ALASKA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2015**

**LEGEND OF ACRONYMS**

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

**STATE OF ALASKA**  
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**LEGEND OF ACRONYMS**

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

## **APPENDIX C**

### **PROPOSED FORM OF BOND COUNSEL OPINION**

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## PROPOSED FORM OF THE OPINION OF BOND COUNSEL

March 17, 2016

State of Alaska  
State Bond Committee  
Juneau, Alaska

### State of Alaska General Obligation Bonds, Series 2016A (Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the State Bond Committee (the “Committee”) of the State of Alaska (the “State”) in connection with its issuance of \$134,790,000 aggregate principal amount of State of Alaska General Obligation Bonds, Series 2016A (the “Bonds”), issued pursuant to Resolution No. 2016-02, adopted by the Committee on January 5, 2016 (the “Bond Resolution”). The State has appointed U.S. Bank National Association, as bond registrar (the “Bond Registrar”) under the Bond Resolution. The Bonds are issued for the stated purposes of (i) paying, together with other available funds, the principal and interest coming due on outstanding bond anticipation notes issued by the State on March 19, 2015, (ii) making a deposit to the 2012 State Transportation Project Fund and (iii) paying costs of issuing the Bonds. The issuance of Bonds was authorized pursuant to the State Transportation Bond Act and approved by a majority of the voters voting in the general election held November 6, 2012. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Resolution.

In such connection, we have reviewed the State Transportation Bond Act; the certified results for the November 6, 2012 general election; the Bond Resolution; the Tax Certificate, dated the date hereof (the “Tax Certificate”), of the State; a Certificate of No Litigation of the Attorney General of the State of Alaska, as counsel to the State; certificates of the State, the Bond Registrar and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second

paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Bond Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding general obligations of the State.
2. The Bond Resolution has been duly adopted by, and constitutes the valid and binding obligation of, the State. The Bond Resolution creates a valid pledge of the full faith, credit and resources of the State to secure the payment of the principal of and interest on the Bonds.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a

State of Alaska  
State Bond Committee  
March 17, 2016

specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Bonds is not included in taxable income for purposes of the State income tax imposed on corporations. Interest on the Bonds may be indirectly subject to the State alternative minimum tax imposed on corporations to the extent that interest on the Bonds is subject to the federal alternative minimum tax on corporations. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

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## **APPENDIX D**

### **FORM OF CONTINUING DISCLOSURE UNDERTAKING**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) constitutes the written undertaking of the State of Alaska (the “State”), for the benefit of the holders of the State’s \$134,790,000 General Obligation Bonds, Series 2016A (the “Bonds”), required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the “Rule”), for the benefit of the beneficial owners or holders of the Bonds. The State is an “obligated person” with respect to the Bonds within the meaning of the Rule.

**SECTION 1. Definitions:** The following capitalized terms shall have the following meanings:

***Annual Financial Information*** means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles (“GAAP”)) and operating and demographic data contained in the “Comprehensive Annual Financial Report” (“CAFR”) of the State of Alaska, provided at least annually, and the annual “Alaska Public Debt Report” which together contain the type of financial and debt information included in the final official statement with respect to the Bonds described in Exhibit B hereto; which Annual Financial Information shall include Audited Financial Statements.

***Audited Financial Statements*** means the State’s annual financial statements, prepared in accordance with GAAP, which financial statements shall have been audited by a firm of independent certified public accountants or the Legislative Auditor of the State.

***Disclosure Representative*** means the Chairman of the State Bond Committee or his or her designee or such other officer or employee as the State shall designate in writing from time to time.

***Fiscal Year*** means the period commencing on the first day of July of any year and ending on the last day of June of the following year or such other period of twelve consecutive calendar months as shall be specified by the State.

***Material Event*** means any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves, if any, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material or events affecting the tax-exempt status of the Bonds;
- (vii) Modifications to rights of the owners of the Bonds if material;
- (viii) Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- (ix) Defeasances;

- (x) Release, substitution or sale of property, if any, securing the repayment of the Bonds if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the State;
- (xiii) The consummation of a merger, consolidation, or acquisition of the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement to undertake such an action, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor or additional trustee or the change of name of the trustee, if material.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions.

**Notice of Material Events** shall mean the Notice required to be given in accordance with Section 4 hereof.

**Participating Underwriter** shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**Resolution** shall mean the resolution of the State Bond Committee of the State authorizing the issuance of the Bonds.

**Rule** shall mean Rule 15c2-12(b)(5)(i) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

## **SECTION 2. Provision of Annual Financial Information.**

(a) The State shall, while any Bonds are outstanding, provide the Annual Financial Information to the MSRB on or before January 31 of each year (the “Report Date”), commencing January 31, 2017. The State may adjust the Report Date if the State changes its Fiscal Year by providing written notice of the change of Fiscal Year and the new Report Date to the MSRB; provided that the new Report Date shall be 210 days after the end of the new Fiscal Year, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

(b) If the State is unable to provide to the MSRB the Annual Financial Information by the Report Date, the State shall send a notice to the MSRB in substantially the form attached hereto as Exhibit A.

(c) If the State is unable to provide the Audited Financial Statements to the MSRB by the Report Date, the State shall provide to the MSRB unaudited financial statements of the State, and, as required by the Rule, Audited Financial Statements, when and if available, must thereafter be provided to the MSRB.



**SECTION 3. Content of Annual Financial Information.** The State's Annual Financial Information shall contain or incorporate by reference the information described in Exhibit B attached hereto, as well as the following:

- (i) The Audited Financial Statements,
- (ii) the accounting principles pursuant to which the Audited Financial Statements were prepared, and
- (iii) that the above-described information has been provided directly by the State.

The State reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the State; provided that the State agrees that any such modification will be done in a manner consistent with the Rule as provided in Section 6 hereof.

The Annual Financial Information may be included by specific reference to documents available to the public on the Internet Website of the MSRB or filed with the Securities and Exchange Commission.

**SECTION 4. Reporting of Material Events.**

(a) If a Material Event occurs while any Bonds are outstanding, the State shall provide a Material Event Notice to the MSRB not in excess of ten business days after the occurrence of the event. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(b) The State shall provide, in a timely manner to the MSRB, notice of any failure while any Bonds are Outstanding by the State to provide to the MSRB Annual Financial Information on or before the Report Date.

(c) The State may from time to time choose to provide notice of the occurrence of certain other events, in addition to Material Events, if, in the judgment of the State, such other event is material with respect to the Bonds, but the State does not undertake to commit to provide any such notice of the occurrence of any material event except Material Events.

**SECTION 5. Termination of Reporting Obligation.** The State's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption in whole or payment in full of all of the Bonds. In addition, any provision hereof and any provision relating to the Rule as set forth in the Resolution shall be null and void in the event that the State delivers to the Bond Registrar, an opinion of counsel expert in federal securities laws to the effect that those portions of the Rule which require this Disclosure Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; provided that the State shall have provided notice of such delivery and the cancellation of this Disclosure Certificate and that portion of the Resolution relating to the Rule to the MSRB.

**SECTION 6. Amendment; Waiver.** Notwithstanding any provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel

expert in federal securities laws to the effect that such amendment or waiver would not in and of itself cause the undertakings herein to violate, or adversely affect compliance with the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule.

Provided, however, that the following conditions must be satisfied prior to such amendment:

- (a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted;
- (b) The undertaking hereunder, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interests of the holders and the beneficial owners of the Bonds, as determined either by parties unaffiliated with the State (such as bond counsel), or by approving vote of such holders in accordance with the terms of the Resolution at the time of the amendment.

Further, the Annual Financial Information containing the amended operating data or financial information shall explain in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Further provided, if an amendment is made to an undertaking hereunder specifying the accounting principles to be followed in preparing the Audited Financial Statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the Audited Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the Audited Financial Statements, in order to provide information to investors to enable them to reevaluate the ability of the State to meet its obligations. To the extent reasonably feasible, the comparison also shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB.

**SECTION 7. EMMA; Format for Filing with the MSRB.** Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under the undertaking are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at [www.emma.msrb.org](http://www.emma.msrb.org). All notices, financial information and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

**SECTION 8. Additional information.** Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or Notice of Material Event, in addition to

that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Financial Information or Notice of Material Event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Financial Information or Notice of Material Event.

**SECTION 9. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the State, the Participating Underwriters, the holders and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

BY: \_\_\_\_\_

Deven J. Mitchell  
Debt Manager, State of Alaska,  
For the State Bond Committee

Date: \_\_\_\_\_, 2016

## EXHIBIT A

### NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: THE STATE OF ALASKA  
Name of Obligated Person: THE STATE OF ALASKA  
Name of Bond Issue: State of Alaska General Obligation Bonds,  
Series 2016A  
Date of Issuance: March \_\_, 2016

NOTICE IS HEREBY GIVEN that the State has not provided Annual Financial Information with respect to the above-named Bonds as required by Continuing Disclosure Certificate of the State dated \_\_\_\_\_, 2016. The State anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Deven J. Mitchell  
Debt Manager, State of Alaska  
For the State Bond Committee

## **EXHIBIT B**

- (A) Names of the entities, enterprises, funds, accounts and other persons with respect to whom information will be provided:

Entity:

1. STATE OF ALASKA

- (B) Types of information to be provided: (e.g., specific types of financial statements and general descriptions of operating, economic, statistical, utilization and trend data)

1. Audited Financial Statements

2. Comprehensive Annual Financial Report \_\_\_\_\_, 20\_\_\_\_.

- (C) The accounting principles pursuant to which financial statements will be prepared:

Generally accepted accounting principles

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## **APPENDIX E**

### **INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY**

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## INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.
2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).
3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.
4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the State or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.





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