RATINGS: Moody's: Aaa
Fitch: AA+
Standard & Poor's: AA+
(See "RATINGS" herein)

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of K&L Gates LLP, Bond Counsel, interest on the Series 2010A Bonds and the Series 2010B Bonds is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, assuming compliance with certain covenants of the State, interest on the Series 2010C Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Series 2010C Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations. Interest on the Series 2010C Bonds is not included in taxable income for purposes of the Alaska income tax imposed on corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.

$200,000,000
STATE OF ALASKA
General Obligation Bonds

$119,570,000 General Obligation Bonds Series 2010A (Taxable Build America Bonds – Direct Payment)	$45,000,000 General Obligation Bonds Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment)	$35,430,000 General Obligation Bonds Series 2010C

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

The State of Alaska (the "State") is issuing $119,570,000 General Obligation Bonds, Series 2010A (Taxable Build America Bonds – Direct Payment) (the "Series 2010A Bonds"), $45,000,000 General Obligation Bonds, Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment) (the "Series 2010B Bonds") and $35,430,000 General Obligation Bonds, Series 2010C (the "Series 2010C Bonds"). The Series 2010A Bonds, the Series 2010B Bonds and the Series 2010C Bonds, each a "Series" are herein collectively referred to as the "Bonds".

The Bonds are general obligations of the State of Alaska (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, 2011 and semiannually thereafter on February 1 and August 1 in each year until maturity or earlier redemption. Interest is 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 optional redemption, mandatory redemption and extraordinary redemption, all as more fully described herein.

The Series 2010A Bonds are designated as "Build America Bonds" pursuant to Section 54AA(d) of the Internal Revenue Code of 1986, as amended (the "Code"), and the State will make the irrevocable election pursuant to Section 6431 of the Code to receive from the federal government credit payments equal to 35 percent of the amount of the interest payable on the Series 2010A Bonds as more fully described herein.

The Series 2010B Bonds are designated as "Qualified School Construction Bonds", as defined in Section 54F of the Code, and the State has made the irrevocable election pursuant to Section 6431 of the Code to receive from the federal government credit payments in an amount equal to the lesser of the amount of the interest payable on the Series 2010B Bonds or the amount of interest payable if determined at the applicable credit rate announced by the United States Department of the Treasury on the date of sale of the Series 2010B Bonds as more fully described herein.

The Bonds are issued as fully registered bonds, without interest coupons, 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 and interest on the Bonds will be payable directly to DTC by The Bank of New York Mellon Trust Company, N.A. of Seattle Washington as authenticating agent, paying agent and registrar for the Bonds (the "Registrar"). Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the DTC Participants (as such term is defined in Appendix D hereto) for subsequent disbursement to the purchasers of beneficial interests in the Bonds, as described herein.

The Bonds are issued pursuant to the Alaska Constitution, particularly Article IX, Section 8, Alaska Statutes 37.15 (the "State Bonding Act"), Section 3 – 7 of Chapter 95, SLA 2010 (HB424) (the "Act"), and the Resolution (as defined herein) for the purpose of design and construction of library, education and educational research facilities. See "THE BONDS – Purpose of the Bonds" herein.

The Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by K&L Gates LLP, Seattle, Washington, Bond Counsel. Certain legal matters will be passed upon for the State of Alaska by the Attorney General for the State of Alaska, and for the Underwriters by Underwriters' Counsel, Birch Horton Bittner & Cherot, Anchorage, Alaska. Scott Balice Strategies LLC 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 December 14, 2010.

Citi | **RBC Capital Markets**

J.P. Morgan | **BofA Merrill Lynch**

The date of this Official Statement is December 7, 2010

$200,000,000
STATE OF ALASKA
GENERAL OBLIGATION BONDS
consisting of:

$119,570,000
General Obligation Bonds, Series 2010A
(Taxable Build America Bonds – Direct Payment)

Dated: Date of Delivery | Due: August 1, as shown below

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, CUSIPS*, ISINS* AND COMMON CODES†

Maturity August 1	Principal Amount	Interest Rate	Yield	Price	CUSIP* 011770	ISIN* US011770	Common Code†
2026	$4,090,000	5.242%	5.242%	100.000%	T79	T796	056902813
2027	$4,235,000	5.342%	5.342%	100.000%	T87	T879	056903160
2028	$4,390,000	5.442%	5.442%	100.000%	T95	T952	056903631
2029	$19,825,000	5.542%	5.542%	100.000%	U28	U281	056904034
2030	$20,560,000	5.642%	5.642%	100.000%	U36	U364	056904417
2033**	$66,470,000	5.742%	5.742%	100.000%	U44	U448	056904751

**** Term Bond**

$45,000,000
General Obligation Bonds, Series 2010B
(Taxable Qualified School Construction Bonds – Direct Payment)

Dated: Date of Delivery | Due: August 1, as shown below

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICES, CUSIPS*, ISINS* AND COMMON CODES†

Maturity August 1	Principal Amount	Interest Rate	Yield	Price	CUSIP* 011770	ISIN* US011770	Common Code†
2026	$15,000,000	5.242%	5.242%	100.000%	U69	U695	056904859
2027	$15,000,000	5.342%	5.342%	100.000%	U77	U778	056904875
2028	$15,000,000	5.442%	5.442%	100.000%	U51	U513	056904808

$35,430,000
General Obligation Bonds, Series 2010C

Dated: Date of Delivery | Due: August 1, as shown below

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

Maturity August 1	Principal Amount	Interest Rate	Yield	Price	CUSIP* 011770
2011	$16,870,000	5.000%	0.310%	102.951%	U85
2012	$18,560,000	5.000%	0.550%	107.213%	U93

† The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such numbers

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Community and Economic Development

Bryan Butcher, Secretary†
Commissioner
Department of Revenue

John Cramer, Member‡
Acting Commissioner
Department of Administration

Donald Habeger, Delegate for Department of Commerce, Community and Economic Development
Director of the Division of Corporations, Business and Professional Licensing

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Seattle, Washington

REGISTRAR
The Bank of New York Mellon Trust Company, N.A.
Seattle, Washington

* The reference to the State's website is not a hyperlink and the State's website, by this reference, is not incorporated herein.
† Patrick Galvin resigned position as Commissioner Department of Revenue effective December 6, 2010.
‡ Becky Hultberg was appointed Commissioner of Administration effective December 18, 2010; John Cramer has been appointed Acting Commissioner of Administration until such date. Annette Kreitzer resigned position as Commissioner Department of Administration effective December 6, 2010
§ Daniel Sullivan resigned position as Attorney General and was appointed Commissioner Department of Natural Resources, both effective December 6, 2010. John J. Burns was appointed Attorney General by the Governor on December 1, 2010, effective December 20, 2010, and is subject to confirmation by the State's Legislature in January 2011

The information contained in this Official Statement has been obtained from the State of Alaska and other sources deemed reliable. No representation is made, however, as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by the Underwriters. The information concerning DTC and its book-entry system has been obtained from DTC, and the information regarding Clearstream, Luxembourg has been obtained from Clearstream, Luxembourg, and no representation is made by the State as to the completeness or accuracy of such information. The information regarding Euroclear Bank S.A./N.V., as operator of the Euroclear system ("Euroclear"), and its Euroclear system was obtained from or reviewed by Euroclear, and the state takes no responsibility for the accuracy or completeness of such information, and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the State of Alaska.

No dealer, broker, salesperson or other person has been authorized by the State or 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 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. All summaries of bond ordinances, resolutions, indentures, agreements or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete or definitive statements of any or all of such provisions.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The CUSIP numbers herein are provided by Standard and Poor's, CUSIP Global Services. These numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for the convenience of reference only. CUSIP numbers are subject to change. The State takes no responsibility for the accuracy of such CUSIP numbers.

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" 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. Except for the historical information described in the continuing disclosure undertaking of the State, the State does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.

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 QUALIFICIATION 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.

INFORMATION CONCERNING OFFERING RESTRICTIONS
IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

MINIMUM UNIT SALES

THE 2010 BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 20 UNITS (BEING 20 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $100,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that all offers of the securities will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the "Prospectus Directive"), as implemented in member states of the European Economic Area (the "EEA"), from the requirement to produce a prospectus for offers of the securities. Accordingly, any person making or intending to make any offer within the EEA of the securities should only do so in circumstances in which no obligation arises for the issuer or any of the initial purchasers to produce a prospectus for such offer. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the securities contemplated in this offering memorandum.

In relation to each Member State of the EEA that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any securities which is the subject of the offering contemplated by this offering memorandum is not being made and will not be made to the public in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than Euro 43,000,000, and (iii) an annual net turnover of more than Euro 50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the securities shall require the issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/BC and includes any relevant implementing measure in each Relevant Member State.

NOTICE TO RESIDENTS OF FRANCE

The securities have not been offered or sold and will not be offered or sold, directly or indirectly, by way of a public offer in France (Offre au Public, as defined in article L. 411-1, of the Code Monétaire et Financier). The securities may only be subscribed for or held by qualified investors (Investisseurs Qualifiés) solely for their own account, as provided by articles L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Code Monétaire et Financier. Thus, the securities acquired shall not be distributed directly or indirectly to the public otherwise than in accordance with articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the Code Monétaire et Financier.

This memorandum is furnished to potential qualified investors solely for their information and may not be reproduced or redistributed to any other person. It is strictly confidential and is solely destined for qualified investors to which it was initially supplied. This memorandum does not constitute an offer or invitation to subscribe for or to purchase any securities and neither this memorandum nor anything herein shall form the basis of any contract or commitment whatsoever.

This memorandum or any other material relating to the securities may not be distributed to the public in France or used in connection with any offer for subscription or sale of securities in France other than in accordance with articles L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the Code Monétaire et Financier. This memorandum has not been submitted and no prospectus will be submitted to the "Autorité des Marchés Financiers" for approval. Any contact with potential qualified investors in France does not and will not constitute financial and banking solicitation (Démarchage Bancaire et Financier) as defined in articles L. 341-1 et seq. of the code Monétaire et Financier.

TABLE OF CONTENTS

OFFICIAL STATEMENT

Relating to

$200,000,000
STATE OF ALASKA
General Obligation Bonds

$119,570,000 General Obligation Bonds Series 2010A (Taxable Build America Bonds – Direct Payment)	$45,000,000 General Obligation Bonds Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment)	$35,430,000 General Obligation Bonds Series 2010C

INTRODUCTORY STATEMENT

This Introductory Statement is intended to be a brief description of, and is therefore qualified by, the information contained in this Official Statement. Each prospective purchaser reviewing this Introductory Statement is directed to review this entire Official Statement, including the Appendices attached hereto, as well as all the documents referenced, summarized or described in this Official 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 $200,000,000 aggregate principal amount of the State of Alaska General Obligation Bonds, consisting of $119,570,000 General Obligation Bonds, Series 2010A (Taxable Build America Bonds – Direct Payment) (the "Series 2010A Bonds"), $45,000,000 General Obligation Bonds, Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment) (the "Series 2010B Bonds") and $35,430,000 General Obligation Bonds, Series 2010C (the "Series 2010C Bonds"; together with the Series 2010A Bonds and the Series 2010B Bonds, each a "Series" and collectively the "Bonds"). The Bonds will be issued pursuant to Resolution No. 2010-07 (the "Resolution"), adopted by the State Bond Committee (the "Committee") on November 17, 2010. See "THE BONDS" herein for a description of the Bonds and the security therefor.

The Bonds are 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 proceeds of the Series 2010A Bonds, the Series 2010B Bonds and the Series 2010C Bonds are being issued for the purpose of paying the cost of certain State projects, all as more fully described under the caption "THE BONDS – Purpose of the Bonds" herein.

The information within this Official Statement has been compiled from official and other sources considered reliable and, while not guaranteed as to accuracy, is believed to be correct. Any statements herein involving estimates, projections or forecasts are to be construed as such rather than as statements of fact or representations that such estimates, projections or forecasts will be realized.

The annual financial report for the State for the fiscal year ended June 30, 2009 is attached hereto as Appendix A. 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. **As of the date hereof, the annual financial report for the State for the fiscal year ended June 30, 2010 is not available. It**

is expected that the annual financial report for the State for the fiscal year ended June 30, 2010 (the "2010 Financial Report") will be released on or about December 15, 2010.

This Official Statement includes brief descriptions of the Bonds and the Resolution. These descriptions do not purport to be comprehensive or definitive. References to such documents are qualified in their entirety by reference to the complete texts thereof. Copies of such documents are available for inspection at the office of the Committee. All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. Summaries of, or references to, provisions of the Internal Revenue Code of 1986 (the "Code") contained herein are made subject to the complete provisions thereof and do not purport to be complete statements thereof. Certain capitalized terms used herein and not defined herein shall have the meanings assigned thereto in the APPENDIX D '– Information regarding The Depository Trust Company and Global Clearance Procedures."

The form of opinions of Bond Counsel is attached hereto as Appendix B.

THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the Alaska Constitution, particularly Article IX, Section 8, Alaska Statutes 37.15 (the "State Bonding Act"), Section 3 – 7 of Chapter 95, SLA 2010 (HB 424) (the "Act"), and the Resolution. On November 2, 2010, a general obligation bond proposition was passed by a majority of the qualified voters in the State who voted on the question, authorizing the issuance of $397,200,000 in general obligation bonds for the purpose of design and construction of library, education and educational research facilities. The Bonds represent a portion of the bonds approved for issuance pursuant to this proposition.

Security for 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 the principal of and interest and on the Bonds. An amount will be appropriated each fiscal year from the Debt Service Fund to the Committee to make all required payments of principal of and interest on the Bonds. If the balance in the Debt Service Fund is insufficient to fully pay these amounts, the necessary additional amounts shall be appropriated from the General Fund of the State to the Committee to make all required payments of principal of and interest on the Bonds. The Debt Service Fund is a subfund in the State General Fund. For a description of these funds, see "INFORMATION CONCERNING THE STATE OF ALASKA – Government Funds" herein.

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 for a more complete discussion of the authorization of general obligation bonds and the provisions for payment thereof, see "INFORMATION CONCERNING THE STATE OF ALASKA – Public Debt and Other Obligations of the State" herein.

Purpose of the Bonds

The Bonds are being issued for the purpose of paying $200 million of the costs of design and construction for certain State library, education and educational research projects pursuant to the Act. The proceeds of the Series 2010A Bonds, which are to be designated Build America Bonds, and the Series 2010C Bonds are being issued for the purpose of funding design and construction of library, education and educational research facilities. The Series 2010B Bonds, which are to be designated Qualified School Construction Bonds, are being issued to fund $45 million of school replacement or construction projects. As further described in "THE BONDS – Application of Bond Proceeds."

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 mature on the dates set forth on the inside cover page of this Official Statement. Interest accruing to the maturity of the Bonds will be payable semiannually on February 1 and August 1 of each year, commencing on August 1, 2011 (each a "Bond Interest Payment Date"), computed on the basis of a 360-day year (consisting of 12 months of 30 days each).

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable by wire transfer by the Registrar to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners (as defined in Appendix D) of the Bonds, as further described in "APPENDIX D – INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND GLOBAL CLEARANCE PROCEDURES."

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 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.

Designation of Series 2010A Bonds as Build America Bonds. The State has made an irrevocable election to have the Series 2010A Bonds designated as "Build America Bonds" within the meaning of Section 54AA(d) of the of the Code. Section 54AA(d) was added to the Code under the American Recovery and Reinvestment Act of 2009 ("ARRA"), Pub. L. 111-5, which was signed into law by the President of the United States on February 17, 2009. Pursuant to the ARRA, the State will receive a credit payment from the United States Treasury equal to 35% of the amount of the interest payable on the Series 2010A Bonds on or about each interest payment date (the "Build America Subsidy Payments"). Under the Code, interest on the Series 2010A Bonds is includable in gross income of the holders thereof for federal income tax purposes. See "TAX MATTERS" herein.

Designation of Series 2010B Bonds as Qualified School Construction Bonds. The State has irrevocably designated and issued the Series 2010B Bonds as "Qualified School Construction Bonds" pursuant Section 54F of the Code. Section 54F was added to the Code under the ARRA. Pursuant to Section 54F, the total amount of Qualified School Construction Bonds to be allocated nationally for calendar year 2009 is limited to $11 billion and for calendar year 2010 is limited to $11 billion. Such volume cap may be carried forward as provided in Section 54F. The United States Department of the Treasury (the "Treasury Department") has allocated a portion of such limit to the State in the amount of $29,784,000 for calendar year 2009 ("2009 QSCB Volume Cap") and $28,163,000 for calendar year 2010 ("2010 QSCB Volume Cap"). The Series 2010B Bonds are being issued utilizing $29,784,000 of the 2009 QSCB Volume Cap and $15,216,000 of the 2010 QSCB Volume Cap.

Pursuant to Section 6431 of the Code, the State has irrevocably elected to receive periodic interest subsidy payments (the "QSCB Subsidy Payments") from the United States Treasury on or about each interest payment date for the Series 2010B Bonds in an amount equal to the lesser of the amount of interest payable on the Series 2010B Bonds on such date or the amount of interest that would have been payable with respect to the Series 2010B Bonds if the interest were determined at the applicable tax credit rate announced by the United States Treasury on the date of sale of the Series 2010B Bonds. Under the

Code, interest on the Series 2010B Bonds is includable in gross income of the holders thereof for federal income tax purposes. See "TAX MATTERS" herein.

Section 54A(d)(2) of the Code requires that the issuer of Qualified School Construction Bonds reasonably expect that: (i) 100 percent or more of the available project proceeds will be spent for one or more qualified purposes within the 3-year period beginning on such date of issuance; and (ii) a binding commitment with a third party to spend at least 10 percent of such available project proceeds will be incurred within the 6-month period beginning on such date of issuance. In addition, 100% of the sale proceeds of Qualified School Construction Bonds and the investment earnings thereon must be spent within three years from the date of issuance (the "Expenditure Period") to pay the costs of qualified projects or issuance costs. To the extent less than 100% of such proceeds and investment earnings are spent on such costs within the Expenditure Period, a pro rata portion of the Qualified School Construction Bonds is deemed to be a "nonqualified bond" under Section 54A of the Code and the issuer is required to redeem the nonqualified bond within 90 days after the end of the Expenditure Period. Upon submission of a request prior to the expiration of the Expenditure Period (determined without regard to any extension under this clause), the Secretary of the Treasury may extend such period if the issuer establishes that the failure to expend the proceeds within the original Expenditure Period is due to reasonable cause and the expenditures for qualified purposes will continue to proceed with due diligence. The State reasonably expects, within six months from the date of issuance of the Series 2010B Bonds, to have incurred a binding commitment with a third party to spend at least 10% of the proceeds of the Series 2010B Bonds and further reasonably expects that 100% of the proceeds of the Series 2010B Bonds will be spent prior to the third anniversary of the date of issuance of the Series 2010B Bonds. See "THE BONDS – Redemption of the Bonds – Redemption of Series 2010B Bonds -- Extraordinary Mandatory Redemption" below.

Application of Bond Proceeds

Money derived from the sale of the Bonds shall be allocated and expended as follows: (1) payment or reimbursement of the public facility planning fund for the cost of advance planning for the capital improvements to be financed and (2) deposit of the remaining proceeds, to the 2010 Education Project Fund, as created pursuant to the Act. The proceeds deposited in the 2010 Education Project Fund, and any investment earnings thereon, are expected to pay all or a portion of the costs of the following projects:

2010 Mount Edgecumbe High School Aquatic Facility	$20,000,000
State Library, Archives, and Museum facility	$18,500,000
City of Alakanuk K-12 School Replacement	$46,500,000
City of Kipnuk K-12 School Renovation	$49,900,000
City of Kwigillingok K-12 School Renovation	$32,100,000
University of Alaska	
Valley Center for Art and Learning (Matanuska Susitna Campus)	$23,500,000
Community Arena and Athletic Facility (Anchorage Campus)	$60,000,000
Life Science Classroom (Fairbanks Campus)	$88,000,000
Student Housing (Kenai Campus)	$16,000,000
Career and Technical Education Center (Kenai Campus)	$14,500,000
Campus Renovation and Renewal (Prince William Sound CC)	$5,000,000

Any unexpended and unobligated balance of the appropriation made in Sections 3 - 7 of the Act shall be appropriated pursuant to Section 9 of the Act to the Committee to redeem the Bonds.

Redemption of the Bonds

Redemption of the Series 2010A Bonds

Make-Whole Optional Redemption. The Series 2010A Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part (and if in part with maturities selected by the State), on any date, at the applicable "**Make-Whole Redemption Price**" (as defined below).

Mandatory Sinking Fund Redemption. The Series 2010A Bonds maturing on August 1, 2033 are subject to mandatory sinking fund redemption in part on August 1, 2031, and on each August 1 thereafter, at a redemption price of 100% of the principal amount thereof to be redeemed plus accrued interest to the redemption date, in the aggregate principal amounts set forth below for each such date.

2033 Term Bonds (Series 2010A)

Year	Amount
2031	$21,335,000
2032	$22,145,000
2033*	$22,990,000

* Final Maturity

To the extent that the State shall have optionally redeemed or purchased Series 2010A term bonds since the last scheduled mandatory redemption of such term bonds, the State may reduce the principal amount of the Series 2010A term bonds of the same maturity to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by the State Debt Manager.

Extraordinary Optional Redemption. The Series 2010A Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part and, if in part, in such principal amounts as the State shall determine, at the applicable Make-Whole Redemption Price, on any date on or after the date that (i) a change has occurred to Section 54AA or Section 6431 of the Code, or any guidance is published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination is made by the Internal Revenue Service or the United States Treasury, pursuant to which the State's Build America Subsidy Payment from the United States Treasury with respect to interest paid on the Series 2010A Bonds is reduced or eliminated or (ii) the United States Treasury fails to make any such Build America Subsidy Payments to which the State is entitled and such failure is not caused by any action by or failure to act by the State.

Redemption of the Series 2010B Bonds

Make-Whole Optional Redemption. The Series 2010B Bonds are subject to redemption prior to maturity at the option of the State, in whole or in part (and if in part with maturities selected by the State), on any date, at the applicable "**Make-Whole Redemption Price**" (as defined below).

Extraordinary Optional Redemption. The Series 2010B Bonds are subject to extraordinary redemption at the option of the State, in whole or in part and, if in part, in such principal amounts as the State shall determine, at the applicable Make-Whole Redemption Price, on any date on or after the date that (i) a change has occurred to Section 54A, Section 54F or Section 6431 of the Code, or any guidance is published by the Internal Revenue Service or the United States Treasury with respect to such sections or any other determination is made by the Internal Revenue Service or the United States Treasury, pursuant to which the State's QSCB Subsidy Payment from the United States Treasury with respect to interest paid on the Series 2010B Bonds is reduced or eliminated or (ii) the United States Treasury fails to make any QSCB Subsidy Payment to which the State is entitled and such failure is not caused by any action by or failure to act by the State.

Extraordinary Mandatory Redemption. The Series 2010B Bonds are subject to extraordinary mandatory redemption within 90 days after the Expenditure Termination Date (as defined below), in whole or in part, at a redemption price of par plus accrued interest to the redemption date, in a principal amount equal to the sum of (i) the unexpended Available Project Proceeds (as defined below) as of the Expenditure Termination Date and (ii) such additional amount so that the aggregate principal amount of the Series 2010B Bonds to be redeemed is in an authorized denomination. The Registrar shall select the date of redemption, which date shall be within 90 days after the Expenditure Termination Date, and give notice thereof as described below under "***– Notice of Redemption***". If the Expenditure Termination Date is extended to a date later than the third anniversary date of the date of issuance of the Series 2010B Bonds, the State shall file with the Registrar a written notice of the new Expenditure Termination Date.

"**Available Project Proceeds**" means the excess of the proceeds of sale of the Series 2010B Bonds, over the issuance costs financed by the Series 2010B Bonds (to the extent that such costs do not exceed two percent of such proceeds), and the proceeds from any investment of such excess.

"**Expenditure Termination Date**" means the third anniversary date of the date of issuance of the Bonds, and the last date of the "expenditure period" as defined in Section 54A(d)(2)(B)(ii) of the Code or, upon the extension of such "expenditure period" pursuant to Section 54A(d)(2)(B)(iii) of the Code, the last day of the "expenditure period" as so extended.

Make-Whole Redemption Price for the Series 2010A Bonds and Series 2010B Bonds

As used above, "**Make-Whole Redemption Price**" means the greater of (i) 100% of the principal amount of the Series 2010A Bonds or Series 2010B Bonds to be redeemed or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A Bonds or Series 2010B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid to the date fixed for redemption, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "**Treasury Rate**" (defined below) plus the "**Treasury Spread**" (defined below); plus, in each case, accrued and unpaid interest on such Series 2010A Bonds or Series 2010B Bonds to be redeemed to the applicable redemption date.

"**Treasury Rate**" means, with respect to any redemption date for a particular Series 2010A Bond or Series 2010B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) Scheduled Interest Rates (the "Statistical Release") that has become publicly available at least two business days, but not more than forty-five (45) calendar days, prior to the date fixed for redemption (excluding inflation-indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data selected by the State) most nearly equal to the period from the redemption date to the maturity date of such Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used). In the event that it is not practicable to determine the Treasury Rate in accordance with the foregoing method, the term "Treasury Rate" shall mean , with respect to any redemption date for a particular Series 2010A Bond or Series 2010B Bond, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable

Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

"**Treasury Spread**" means (i) with respect to the optional redemptions described above under "**Redemption of Series 2010A Bonds –** ***Make-Whole Optional Redemption***" and "**Redemption of Series 2010B Bonds –** ***Make-Whole Optional Redemption,***" 20 basis points and (ii) with respect to the extraordinary optional redemptions described above under "**Redemption of Series 2010A Bonds –** ***Extraordinary Optional Redemption***" and "**Redemption of Series 2010B Bonds –** ***Extraordinary Optional Redemption,***" 100 basis points.

"**Comparable Treasury Issue**" means, with respect to any redemption date for a particular Series 2010A Bond or Series 2010B Bond to be redeemed, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of such Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average life of such Bonds to be redeemed.

"**Comparable Treasury Price**" means, with respect to any redemption date for a particular Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"**Designated Investment Banker**" means one of the Reference Treasury Dealers appointed by the State.

"**Reference Treasury Dealer**" means each of the four firms, specified by the State from time to time, that are primary United States Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the State will substitute another Primary Treasury Dealer.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Bond, the average, as determined by the Designated Investment Banker and communicated to the State, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker and communicated to the State by such Designated Investment Banker at least two business days prior to the mailing of the redemption notice.

No Prior Redemption of the Series 2010C Bonds

The Series 2010C Bonds are *not* subject to redemption prior to maturity.

Selection of Bonds to be Redeemed

Whenever the Registrar is required to redeem Bonds pursuant to the mandatory sinking fund provisions described above, the Registrar shall select the Bonds of such Series to be redeemed, give the notice of redemption and pay the redemption price thereof, plus interest accrued and unpaid to the date fixed for redemption without further direction from the State.

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

Series 2010A Bonds and Series 2010B Bonds. If fewer than all of the Series 2010A Bonds or Series 2010B Bonds of a particular maturity shall be called for any optional redemption, extraordinary optional redemption, extraordinary mandatory redemption or mandatory sinking fund redemption: (1) if the Bonds are not registered in book-entry only form, any redemption of less than all of the respective Series 2010A Bonds or Series 2010B Bonds will be allocated among the registered owners of such Series 2010A Bonds or Series 2010B Bonds being redeemed as nearly as practicable in proportion to the amounts of the principal amounts of the Series 2010A Bonds or Series 2010B Bonds owned by each registered owner, in authorized denominations, calculated based on the following formula: (principal to be redeemed) x (principal amount owned by such owner) / (total principal amount outstanding), and the particular bonds to be redeemed will be determined by the Registrar in any manner as the Registrar in its sole discretion deems reasonable; and (2) if the Bonds are in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, any redemption of less than all of the Series 2010A Bonds or Series 2010B Bonds of a single maturity will be done in accordance with DTC's procedures in effect at such time. It is the State's intent that redemption allocations made by DTC or such other intermediaries that may exist between the State and the Beneficial Owners be made in accordance with these same proportional provisions; provided, however, that the State provides no assurance that DTC or any other intermediary will allocate redemptions among Beneficial Owners on such a proportional basis.

Notice of Redemption

Except when the Bonds are in book-entry form, the Bond Registrar on behalf of the State shall give notice of redemption of any of the Bonds to be redeemed, which notice may be conditional, by first class mail to the Registered Owner of the Bond(s) designated for redemption, at least 20 days and not more than 60 days prior to the redemption date, at the address shown on the Register or at such other address as is furnished in writing by such registered owner to the Registrar. Official notice of redemption shall include the following: (1) the redemption date; (2) the redemption price; (3) if fewer than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed; (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date (unless the conditions set forth in the notice have not been met, in which case the notice of redemption shall have been withdrawn); and (5) that the Bonds are to be surrendered for payment at the principal office of the Registrar. Neither the State nor the Registrar will provide any notice to Beneficial Owners of the Bonds.

Unless the State has revoked a notice of redemption (or unless the State provided a conditional notice for redemption and the conditions for redemption set forth therein are not satisfied) official notice of redemption having been given as described above, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the State shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as provided for the payment of interest.

Further Notice of Redemption

In addition to the official notice of redemption provisions provided above, further notice of redemption shall be given by the State, at least 20 days prior to the redemption date, by submission of such notice to the Electronic Municipal Market Access system (EMMA) and to each Underwriter (or to its business successor, if any) and with such additional information as the Debt Manager shall deem appropriate. The failure to provide such further notice shall not defeat the effectiveness of a call for redemption if official notice is given, as provided above. In addition to official notice, further notice of redemption shall include: (1) the CUSIP numbers of all Bonds being redeemed; (2) the date of the issue of the Bonds as originally issued; (3) the rate of interest borne by each Bond being redeemed; (4) the maturity date of each Bond being redeemed; and (5) any other descriptive information needed to identify accurately the Bonds being redeemed. See Appendix D – "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND GLOBAL CLEARANCE PROCEDURES" for a description of how notices are sent by DTC.

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

In the event that money and/or government obligations, which are noncallable direct obligations of the United States or obligations unconditionally guaranteed by the United States, maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, as evidenced by a report of an independent accountant or verification agent (which report shall be required only if the defeasance is not a full cash defeasance), are set aside in a special account of the State to effect such redemption and retirement, and such moneys and the principal of and interest on such government obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund of the State 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. The Registrar shall provide notice of defeasance of Bonds to the registered owners.

Book-Entry System and Global Clearance Procedures

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. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and/or Euroclear's names on the books of their respective U.S. depository, which, in turn, holds such positions in customers' securities accounts in its U.S. depository's name on the books of DTC. For information about DTC and its book-entry system, Clearstream, Luxembourg, Euroclear and the Euroclear system, See "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND GLOBAL CLEARANCE PROCEDURES" in Appendix D.

Provisions Applicable if Book-Entry Only System is Terminated

Purchasers of Bonds will receive principal and interest payments, and may transfer and exchange Bonds, pursuant to the following provisions only if the book-entry only system is terminated. Otherwise, payments and transfers will be made only as described in Appendix D – "INFORMATION

REGARDING THE DEPOSITORY TRUST COMPANY AND GLOBAL CLEARANCE PROCEDURES."

Payment of Principal and Interest. Interest on the Bonds shall be paid by check or draft mailed to the registered owners at the respective addresses appearing on the bond register on the 15th day of the month preceding the interest payment date, and principal on the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owner at the designated office of the Registrar; provided that if so requested in writing by the registered owner of at least $1,000,000 principal amount of Bonds, interest will be paid by wire transfer on the date due to an account with a bank located within the United States.

Registration of Transfer of Ownership or Exchange. Each Bond will be transferable, registrable or exchangeable only on the bond register maintained at the principal corporate trust office of the Registrar. The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any Bond shall be valid unless such Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the registered owner or such registered owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the registered owner or transferee therefor, a new Bond (or Bonds at the option of the new registered owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as registered owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered or cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same series, date, maturity and interest rate, in any authorized denomination. The Registrar is not obligated to register the transfer or to exchange any Bond during the 15 days preceding the date any such Bond is to be redeemed.

The State and the Registrar may deem and treat the person in whose name each Bond is registered upon the bond register as the absolute owner thereof for the purpose of receiving payment of the principal thereof and interest due thereon and for all other purposes, and shall not be affected by any notice to the contrary.

Payment History

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

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SOURCES AND USES TABLE

The proceeds of the Bonds, and other funds, are expected to be applied as shown below.

	Series 2010A Bonds	Series 2010B Bonds	Series 2010C Bonds	Aggregate
Sources of Funds:				
Par Amount of Bonds	$119,570,000	$45,000,000	$35,430,000	$200,000,000
Original Issue Premium	--	--	1,836,566	1,836,566
Other Funds from the State[(1)]	162,795	61,267	48,238	272,300
Total	$119,732,795	$45,061,267	$37,314,804	$202,108,866
Uses of Funds:				
2010 Education Project Fund	$119,062,425	$44,815,725	$37,232,376	$201,110,526
Underwriters' Discount	507,575	184,275	34,190	726,040
Costs of Issuance[(2)]	162,795	61,267	48,238	272,300
Total	$119,732,795	$45,061,267	$37,314,804	$202,108,866

(1) Appropriated from the General Fund to pay costs of issuance of the Bonds
(2) Costs of issuance include: cost of legal fees, printing costs, rating agency fees and similar costs

INFORMATION CONCERNING THE STATE OF ALASKA

General

Alaska is a sovereign state of the United States of America and is located in the far northwest corner of North America, to the west of Canada and approximately 500 miles north of the state of Washington. The State is governed in accordance with its Constitution and statutes by legislative, executive and judicial branches. 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 Ownership of Land and Natural Resources

Alaska includes approximately 586,412 square miles (approximately 365 million acres) in land and is the largest state in the United States, roughly equivalent in land to one-fifth of all of the other 49 states combined. Unlike the other 49 states, where most of the land is owned by individuals or entities in the private sector, less than one percent of the land in Alaska is owned by private, non-Native owners. In 1959, when Alaska became a state, 99.8 percent of the land was owned by the federal government. The Alaska Statehood Act, enacted by the United States Congress in 1958, and later the Alaska Land Transfer Acceleration Act, enacted in 2004, gave the State the right to select and acquire approximately 104 million of the nearly 365 million acres of federal lands in Alaska. As of June 30, 2011, approximately 90 percent of this grant has been conveyed to the State. In addition, the State has acquired an estimated 65 million acres of submerged lands, some of which contain oil-producing and gas fields or areas that may have potential for oil and gas production.

The United States Congress enacted the Alaska Native Claims Settlement Act ("ANCSA") in 1971, following the discovery of a large oil and gas reservoir on the Alaska North Slope. Under ANCSA, 13 regional corporations and more than 200 village corporations were established with rights to select approximately 44 million acres of federal lands and associated subsurface and surface rights. Currently, the Native corporations own approximately 12 percent of Alaska lands, the State owns approximately 28 percent and the federal government owns the remaining 60 percent. As described below, the State obtains significant revenues from companies that lease State-owned lands for extraction of oil, natural gas, coal, gold, zinc 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.

Oil and Gas Reserves. The State's finances have been dominated by oil exploration and production since 1968, when the first large oil and gas reservoir on the Arctic Coast was discovered. The Trans-Alaska Pipeline System (the "TAPS"), an 800-mile, 48-inch crude oil pipeline from the State's Arctic Coast to Valdez in southcentral Alaska, was completed in June 1977, enabling the production and transmission from the North Slope of Alaska of more than 16 billion barrels of crude oil between fiscal years 1978 and 2010. Crude oil production on the North Slope peaked in 1988 at slightly above 2.0 million barrels per day from the large Prudhoe Bay field, and from Kuparuk, the State's second largest oil-producing area, and from the Endicott and Lisburne satellite fields. Although oil is now being produced at additional fields on the North Slope (including newer North Slope projects at Milne Point and Northstar and numerous new satellite fields at Prudhoe Bay, Kuparuk and Alpine), production on the North Slope has declined in most years since 1988 to 692,000 barrels per day in fiscal year ended June 30, 2009 and an estimated 644,000 barrels per day in fiscal year ending June 30, 2010. Satellite field production currently contributes just over 12% of total daily oil production in the greater Prudhoe Bay area, the greater Kuparuk area, and the greater Alpine area. In its Fall 2010 revenue forecast, the State forecast that crude oil production on the North Slope will decrease to 520,000 barrels per day in 2019. The forecast oil production includes 265,000 barrels of expected production from projects currently under evaluation or under development, but no production from new discoveries. Oil production of the smaller fields in Cook Inlet in southcentral Alaska is projected to decline from 9,000 barrels per day in 2010 to 6,000 barrels per day in 2020.

Although crude oil volumes forecast for the near term are decreasing, State revenues have been increasing as a result of changes to the State's oil-related tax regime and increased prices for oil. The State expects that additional volumes will be recovered and that oil-related revenues will increase as a result of additional exploration and field development. See "—State Revenues— Oil and Gas Revenues." The U.S. Geological Survey, in an assessment published in 2005 (the "2005 Assessment"), estimated that remaining discovered reserves on State and Native lands on the central North Slope and on the adjacent, State-owned off-shore lands include approximately 7.0 billion barrels of oil and approximately 35 trillion cubic feet of natural gas and between 2.6 billion and 5.0 billion barrels of undiscovered, technically recoverable oil and 100 trillion cubic feet of technically recoverable natural gas. The U.S. Geological Survey estimated that assuming a per-barrel market price (in 2003 U.S. dollars) of $40/barrel of oil and an after-tax return of 12 percent, between 1.6 billion barrels and 4.6 billion barrels of oil are economically recoverable. The 2005 Assessment did not include discovered or discoverable oil or gas reserves in the National Petroleum Reserve in Alaska (the "NPR-A") or in the Arctic National Wildlife Refuge (the "ANWR"), federal lands east and west of the North Slope area studied in the 2005 Assessment. As described below, the State benefits from the production of federal oil within Alaska (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. In a report released in January 2008, the U.S. Department of Energy estimated that the NPR-A, the Beaufort Sea outer continental shelf, the Chukchi Sea outer continental shelf and the 1002 area of the ANWR together contain 43.4 billion barrels of mean technically recoverable oil and 157.4 trillion cubic feet ("TCF") of mean technically recoverable natural gas. In October 2010 the US Department of the Interior, US Geological Survey (USGS) released a report on the NPR-A superseding the assessment similar in scope that was completed by USGS in 2002. In the report they estimated that mean volumes of 896 million barrels of oil and 53 trillion cubic feet of non-associated natural gas in conventional undiscovered accumulations exist within the NPR-A. The estimate of undiscovered oil is significantly less than the 2002 estimate. These estimates are not included in the State of Alaska, Department of Revenue's projections of oil production from the North Slope, and the USGS estimates have no impact on currently expected revenues of the State of Alaska. It is uncertain whether producers will recover any of these potential resources.

More than 47 percent of the oil production forecast in fiscal year 2019 is from existing discoveries that are under development and under evaluation. The State expects that heavy oil development, and new enhanced oil recovery projects will form the basis for much of the future oil production from the North Slope. According to US Department of Energy estimates, the North Slope could contain as much as 35 billion barrels of original oil in place. New technology is being tested in a pilot project at Milne Point to recover heavy oil at Ugnu, a pool with an estimated 20 billion barrels of oil in place.

The Nikaitchuq field, with an estimated 180 million barrels of recoverable reserves, along the Beaufort coast near Oliktok Point, is currently being developed. 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 an more than 500 million barrels of liquid hydrocarbons. Other developments include known NPR-A discoveries east of the Alpine field, which are anticipated to begin producing within five years. An enhanced oil recovery process (currently in the pilot stage at Endicott) is a new technology that uses low salinity water injection and has the potential to add 10 to 15 percent to the North Slope reserve base, the equivalent of discovering another Kuparuk field.

Natural Gas Pipeline Developments. Currently, natural gas produced in conjunction with oil production on the North Slope is not yet sold commercially in significant volumes. 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. Most of the produced gas, however, 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. Natural gas development has been limited because a pipeline to transport recovered natural gas to market outside Alaska has never been constructed. Although there are currently an estimated 35 TCF of known reserves on the North Slope, mostly in the Prudhoe Bay and Point Thomson fields, geologic estimates by the U.S. Geological Survey place the amount of technically recoverable resources at more than 100 TCF. More than 25 TCF of natural gas is currently ready to market from existing oil fields according to the U.S. Geological Survey.

The State's tax and royalty provisions apply to natural gas products as well as to oil, and the State's long-term planning is based in part on efforts to develop natural gas resources before oil resources are depleted. 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; and 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 has partnered with ExxonMobil, one of the three major North Slope producers, on the pipeline project. With the AGIA license, TransCanada commits to initiate 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 agreed to provide matching funds of up to $500 million to reimburse TransCanada Alaska for a portion of the development costs of the proposed pipeline. TransCanada held an "open season" in mid-2010 to solicit commitments to ship North Slope gas on TransCanada's pipeline, and reported receiving significant commitments from multiple potential shippers. TransCanada estimates first gas flowing by 2020. In addition, the AGIA license requires TransCanada to "expand" the pipeline capacity in the future to accommodate incremental shippers with new discoveries of natural gas to get to market.

In addition to TransCanada's project, the other two major North Slope producers, ConocoPhillips and BP, are pursuing their own gas pipeline project, called "Denali." The project timeline for Denali is similar to the timeline for TransCanada's project, with first gas flowing around 2020. Denali also held an open season in mid-2010 and also reported significant commitments from multiple potential shippers. There is no assurance that either project will be completed within these time frames.

Mineral Resources. Gold, copper and platinum have been mined in Alaska since before World War II and although platinum is no longer mined, seven large mines that produce zinc, gold, lead, silver, coal and gravel and sand are currently in operation and several other large mines are under development or exploration. There are also numerous placer and other small mining operations. Of the approximately 100 million acres of land transferred to the State by the federal government, nearly 35 million acres were selected for transfer because of anticipated mineral value, and as of the end of calendar year 2009, 3.6 million acres of state land are subject to mining claims. Approximately 2.912 billion of minerals were produced in calendar year 2009 in metal, coal, and non-metal mines located in Alaska. As described below, the State's revenues from mining are derived primarily from mining license taxes, corporate income taxes, annual rentals and production royalties. Of the seven mines that currently contribute most of the State's mining-related revenue (approximately $83 million of revenue in the fiscal year ended June 30, 2009), production is expected to end at many over the next decade. 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, including the Chuitna coal mine, proposed to produce up to 12 million tons of coal annually over a 25-year period; the Livengood gold project, and the Pebble copper and gold project, which if developed could become one of the largest copper mines in the world and one of the largest gold mines in Alaska. The Donlin Creek gold mine project is still examining the feasibility of production. The Rock Creek and Nixon Fork gold mines remain in temporary closure. See "—State Revenues—Mineral Revenues."

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 substantially increased air and cruise services to Alaska in the last ten 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 now subject to the State corporate income tax, the proceeds of which are unrestricted. See "State Revenues—Other Non-Oil Revenues" below.

State Revenues

The State does not currently impose personal income taxes (although it did before TAPS was completed in 1978) 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 and about 76 percent of total non-investment revenue in the fiscal year ended June 30, 2009. Grants, contributions and other revenue from the federal government and interest and investment income represent the remaining portions of State revenue.

To impose additional taxes would require authorization by the Legislature but would not require approval of the voters. It is possible that a referendum petition, if signed by the required number of voters, could be filed to challenge the legislation imposing the tax. The tax then would have to be approved by a majority of the voters voting on the referendum. As described below, State legislation has not been challenged by referendum in the past 20 years. Although some local taxes have been challenged by initiatives, State taxes have not.

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.

<u>Oil and Gas Property Tax</u>. The State levies an oil and gas property tax (the only statewide property tax) on the value of taxable exploration, production and pipeline transportation property in the State, at a rate of 20 mills or two percent of the assessed value of the property. Oil and gas reserves, oil or gas leases, and the lease or rights to explore or produce oil or gas and intangible drilling and exploration

expenditures are exempt from the tax. The most notable properties that are subject to this tax are the TAPS (including the terminal at Valdez) and the field production system at Prudhoe Bay. The assessed value of all existing properties subject to this tax as of January 1, 2010, was approximately $24.0 billion, compared with $22.0 billion as of January 1, 2009, $18.0 billion as of January 1, 2008, and $15.6 billion as of January 1, 2007.

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). For property taxes on pipeline transportation property (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. The amount collected from property taxes on existing production property is expected to decrease in the future until new property becomes part of the tax base.

Local governments may also levy a property tax on oil and gas properties at individual mill rates 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 $292.8 million of property taxes collected in the fiscal year ended June 30, 2009 on petroleum property in the North Slope Borough, for example, the State's share was approximately $22.0 million. Total petroleum property tax collections in the fiscal year ended June 30, 2009 were approximately $441.6 million, of which the State's share was $111.2 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, however, are deposited into the Constitutional Budget Reserve Fund. 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). Corporate income tax rates are graduated and range from one 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 (an estimated $552.7 million in fiscal year 2010, compared to $202.6 million in fiscal year 2009 and $438.3 million in fiscal year 2008) are deposited into the Constitutional Budget Reserve Fund. See Table 2.

Oil and Gas Production Taxes. The State levies a tax on oil and gas production income generated from production activities in the State. Before August 2006 the production tax system was based upon the gross value of oil and gas at the point of production plus an Economic Limit Factor. In August 2006, the Legislature adopted legislation that established a net income-based tax (the "Petroleum Profits Tax" or

"PPT"), which established new tax rates on oil and gas production, repealed the Economic Limit Factor volume-based tax and provided credit for certain qualifying expenditures and taxpayers. In November 2007, the Legislature amended the oil and gas production tax statutes and adopted the Alaska Clear and Equitable Share ("ACES") legislation. Under ACES, the tax on production is levied on all oil and gas production except for the federal and State royalty shares and except that a hazardous release surcharge (the revenues of which are for deposit to a restricted response fund) is levied only on crude oil production. As shown in Table 2, the PPT legislation resulted in an increase in production tax revenue to the State as compared to the earlier tax system.

As with the PPT, the ACES tax is levied on the net value of oil and gas production (the volume of oil and gas produced, multiplied by the wellhead value), less the total of operating expenditures and capital expenditures, multiplied by the applicable tax rate and then minus credits for certain capital expenditures and certain transition expenditures. The base tax rate under ACES is 25 percent (instead of 22.5 percent under PPT), and the tax rate increases 0.4 percent for every dollar per-barrel (or the equivalent for natural gas) the net income exceeds $30 per barrel (instead of 0.25 percent on profits exceeding $40 per barrel under PPT). At $92.50 per barrel, this progressive factor changes from 0.4 percent to 0.1 percent for every additional dollar of profit on a barrel up to a total tax rate of 75 percent. The ACES system authorizes a company to reduce its tax liability to the extent that it invests in equipment, projects or other items that are deemed to be "capital expenditures," by expensing such costs immediately instead of capitalizing them. As an incentive to reinvest in Alaska, capital costs that exceed $0.30 per barrel are eligible for an additional 20-percent credit against the company's ACES liability but only if such costs are spread over two years. Higher credits of 30 or 40 percent are available as an incentive for exploration expenditures from certain qualifying projects. An additional credit of up to $12 million base allowance is granted to companies that qualify as small producers.

Taxpayers are required under the ACES legislation to make monthly estimated payments, based upon activities of the preceding month, 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 to apply credits available under the ACES tax may apply for a refund of the value of most of the credits. The State received applications for credit refunds in the amount of about $200 million in the fiscal year ended June 30, 2009 and estimates applications for the fiscal year ending June 30, 2010 of approximately $250 million from companies claiming such credits. The ACES legislation also requires that the companies report the volumes and expenditures used to calculate their estimated monthly installments and requires the companies to provide semiannually to the Department of Revenue their best estimates of future oil production and lease expenditures.

All revenue generated from the oil and gas production tax ($6.9 billion in the fiscal year ended June 30, 2008, $3.1 billion in the fiscal year ended June 30, 2009 and estimated at $4.9 billion in the fiscal year ended June 30, 2010) 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.

<u>Oil and Gas Royalties, Rents and Bonuses</u>. Approximately 99 percent of all current oil production, including the reserves at Prudhoe Bay, is from State land leased for exploration and development. As the land owner, 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 is leased based on a competitive bonus bid system. The State retains a 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. The State reserves the right to take its royalty in cash or in-kind (according to a formula based upon spot prices plus a transportation charge). In the fiscal year ended June 30, 2010, the State took approximately 34,000 royalty barrels per day of North Slope oil in-kind, which it sold to Flint Hills Resources Alaska, LLC refinery in Alaska.

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 2 and 3, 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 that 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. 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, 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 2 summarizes the sources and deposits of oil and other petroleum-related revenue for the fiscal years ended June 30, 2000 through 2010. The information provided for fiscal years 2000 through 2009 in Table 2 is derived from the State's audited financial statements, while the information for fiscal year 2010 is provided by the State of Alaska Department of Revenue.

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Table 2

Sources and Initial Applications of Oil and Other Petroleum-Related Revenue
Fiscal Years Ended June 30, 2000 - 2010
($ millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Oil Revenue to the General Fund											
Property Tax	$45.0	$45.1	$49.6	$48.7	$47.3	$42.5	$54.5	$65.6	$81.5	$111.2	$118.8
Corporate Income Tax	162.7	338.1	178.4	151.1	298.8	524.0	661.1	594.4	605.8	492.2	447.9
Production Tax (1)	702.7	703.8	496.3	599.0	651.9	863.2	1,199.5	2,208.4	6,822.6	3,112.0	2,871.0
Royalties (including bonuses, rents and interest) (2)	731.9	799.3	595.8	840.3	1,056.1	1,419.9	1,784.1	1,613.0	2,446.1	1,465.6	1,477.0
Subtotal	$1,642.3	$1,886.3	$1,320.1	$1,639.1	$2,054.1	$2,849.6	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,914.7
Oil Revenue to Other Funds											
Royalties to the Permanent Fund and School Fund (3)	$306.5	344.9	$262.0	$403.8	$361.8	$486.5	$611.5	$545.6	850.5	$670.8	$707.2
Tax settlements to CBRF	448.3	49.1	90.2	22.3	8.4	27.4	43.7	101.9	476.4	202.6	552.7
NPR-A royalties, rents and bonuses (4)	40.3	1.7	1.7	34.6	2.5	31.6	4.5	12.8	5.2	14.8	21.3
Subtotal	795.1	395.7	353.9	460.7	372.7	545.5	659.7	660.3	1,332.1	888.2	1,281.2
Total Oil Revenue	$2,437.4	$2,282.0	$1,674.0	$2,099.8	$2,426.8	$3,395.1	$4,358.9	$5,141.7	$11,288.1	$6,069.2	$6,195.9

(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 Alaska 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 "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. In fiscal year 1996, all then-existing NPR-A leases were terminated, relinquished or expired. The Federal Bureau of Land Management entered into new 10-year leases beginning in fiscal year 1999. The State received its first payment from these leases in fiscal year 2001.
Source: State of Alaska; Department of Revenue

Mineral Revenues. The minerals industry contributed approximately $83.5 million in State revenues in fiscal year 2009, primarily corporate income tax ($41.1 million), mining license taxes ($15.5 million) and coal royalties for production on State-owned land ($6.6 million).

Corporate Income Tax. The corporate income tax is based on the share of U.S. net income apportioned to Alaska, based upon the share of a company's property, payroll and sales in the State. State revenue from the corporate income tax on net income of mining companies rose from $0.2 million in the fiscal year ended June 30, 2003 to $41.1 million in the fiscal year ended June 30, 2009.

Mining License Tax. The State's 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, except for sand and gravel, 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 increased from $18.6 million in the fiscal year ended June 30, 2006 to $79.1 million in the fiscal year ended June 30, 2007, decreased to $54.4 million in the fiscal year ended June 30, 2008 and decreased to $15.5 million in the fiscal year ended June 30, 2009. 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."

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 and 0.5 percent to the Public School Trust Fund, although deposits of 25 percent, the constitutionally-mandated minimum, were required to be made between July 1, 2003 and October 1, 2008. The proposed Pebble mine and the new Pogo mine are on State land but most of the existing mines are not. In fiscal year 2009, the State received $6.6 million in royalty income, principally from coal royalties and rentals. See "-Government Funds—The Alaska Permanent Fund."

Other Non-Oil and Non-Mineral Revenues. The State also receives unrestricted and restricted General Fund revenues from activities unrelated to petroleum and mining production. The State receives revenues from corporate income taxes paid by corporations other than petroleum producers and mining companies, cigarette/tobacco income 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. As described below, some of these revenues (approximately $548.5 million in the fiscal year ended June 30, 2009) must be shared with municipal governments or are otherwise restricted, but many are unrestricted and available for appropriation. In the fiscal year ended June 30, 2009, $238 million of such taxes and approximately $82 million of service charges, fees and other non-tax revenues were unrestricted and available for appropriation.

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 $105.4 million of other corporate income taxes in fiscal year 2009. Insurance companies doing business in Alaska pay a premium tax instead of paying corporate income tax or sales tax. Revenues from insurance premium taxes totaled approximately $52.3 million in fiscal year 2009.

Cigarette/Tobacco Income 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 on cigarettes was increased from $1.60/pack to $1.80/pack on July 1, 2006 and to $2.00/pack on July 1, 2007. 76 cents per pack from the cigarette tax is deposited to the Public School Trust Fund, together with cigarette and other tobacco products license fees. The remaining $1.24/pack is deposited into the General Fund, with 8.9% 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 $23.1 million of revenue from cigarette taxes and from the tobacco products taxes was deposited into the Public School Trust Fund in fiscal year ended June 30, 2009 to be used for the rehabilitation, construction, repair and associated insurance costs of State school facilities. Cigarette tax to the Tobacco Education and Cessation Fund was $3.4 million, and remaining General Fund cigarette tax revenue was $36.4 million. In addition, the General Fund received $10.2 million in other tobacco products tax revenue in the fiscal year ended June 30, 2009.

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 almost all 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 fuel sales at municipal airports are shared with the municipalities ($100,000 in fiscal year 2009) and are also restricted. The motor fuel tax, which generated approximately $41.8 million in fiscal year 2008, was suspended by the Legislature for one year beginning September 1, 2008. As a result of the suspension, motor fuel tax revenue was $10.1 million for the fiscal year ending June 30, 2009. The tax suspension ended effective September 1, 2009.

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 in fiscal year 2008 was approximately $22.6 million and in fiscal year 2009 was approximately $24.0 million.

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 $2.1 billion in the fiscal year ended June 30, 2009 and $1.9 billion in the fiscal year ended June 30, 2008) for road and airport improvements, as aid to schools and Medicaid payments, all of which payments vary in amount and are restricted by legislative appropriation to specific uses. In general, federal funds are paid on a reimbursement basis and are subject to audit.

Investment Income. Among the State's biggest resources are its 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 $33.3 billion in the fiscal year ended June 30, 2010, compared to $29.9 billion in the fiscal year ended June 30, 2009 and $36.5 billion as of June 30, 2008, and the Constitutional Budget Reserve Fund had a fund balance of approximately $8.7 billion in the fiscal year ended June 30, 2010, $8.3 billion in the fiscal year ended June 30, 2009 and $5.6 billion in the fiscal year ended June 30, 2008.

Unrestricted, realized investment income from balances in both funds are available for appropriations, 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 fiscal year. Since the CBRF's inception in 1991, deposits to the CBRF have exceeded withdrawals in all but four fiscal years and the CBRF balance has grown from $286 million in April 1991 to $8.3 billion as of June 30, 2009 and an estimated market value of $8.6 billion as of June 30, 2010. In addition to Permanent Fund investment income (a $4.35 billion accounting gain in the 2010 fiscal year, $6.3 billion accounting loss in the 2009 fiscal year and a $1.4 billion accounting loss in the 2008 fiscal year) and Constitutional Budget Reserve Fund investment income (a $88.6 million increase in value in the fiscal year ended June 30, 2009, a $61 million loss in the 2008 fiscal year and income of $180.7 million in fiscal year 2007), the State has investment income (including interest paid) from investment of other, unrestricted funds ($183.9 million in the fiscal year ended June 30, 2010, $247.6 million in the fiscal year ended June 30, 2009 and $227.8 million in the fiscal year ended June 30, 2008). See "—Government Budgeting and Government Funds."

Table 3 summarizes the sources of unrestricted and restricted revenues available to the State in fiscal years ended June 30, 2000 through 2010. The information provided for fiscal years 2000 through 2009 in Table 3 is derived from the State's audited financial statements, while the information for fiscal year 2010 is provided by the State of Alaska Department of Revenue.

Table 3

Total State Government Revenue by Major Component
Fiscal Years Ended June 30, 2000 – 2010
($ millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenue Source											
Unrestricted											
Oil Revenue	$1,642.3	$1,886.3	$1,320.1	$1,639.1	$2,054.1	$2,849.6	$3,699.2	$4,481.4	$9,956.0	$5,181.0	$4,914.7
Non-Oil Revenue	391.3	328.0	297.1	249.5	281.8	314.5	447.9	537.1	544.4	402.6	414.0
Investment Earnings	48.1	67.6	43.1	59.0	9.7	24.7	53.3	140.1	227.8	247.6	184.0
Subtotal	$2,081.7	$2,281.9	$1,660.3	$1,947.6	$2,345.6	$3,188.8	$4,200.4	$5,158.6	$10,728.2	5,831.2	5,512.7
Restricted											
Oil Revenue	$795.1	$395.7	$353.9	$460.7	$372.7	$545.5	$659.7	$660.3	$1,332.1	$888.2	$1,281.2
Non-Oil Revenue	592.8	437.6	487.8	535.6	449.2	514.7	536.5	684.9	604.4	545.8	467.1
Investment Earnings	2,363.5	(682.8)	(484.9)	1,151.7	3,516.1	2,773.6	3,173.3	3,737.8	(1,483.5)	(6,894.5)	4,292.0
Federal Revenue	1,217.0	322.6	1,552.7	1,769.1	1,941.0	1,924.9	1,966.2	1,971.9	1,902.5	2,088.4	2,387.9
Subtotal	$4,968.4	$1,473.1	$1,909.5	$3,917.1	$6,279.0	$5,758.7	$6,335.7	$7,054.9	$2,355.5	($3,372.1)	$8,428.2
Total	$7,050.1	$3,755.0	$3,569.8	$5,864.7	$8,624.6	$8,947.5	$10,536.1	$12,213.5	$13,083.7	$2,459.1	$13,940.9

Source: State of Alaska; Department of Revenue

Government Budgets and Appropriations

The State is limited by its Constitution and statutes and by policy in how it manages its funds and, as in other states, no funds, regardless of source, may be spent without an appropriation from the Legislature.

Budgets. The State's fiscal year begins on July 1 and ends on the following June 30. The Alaska Constitution requires the Governor to submit to the Legislature by December 15 a budget for the next fiscal year, setting forth all proposed expenditures and anticipated income of all departments, offices and agencies of the State, and to submit bills covering recommendations in the budget for new or additional revenues. The 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 generated by the State. In addition to the annual budgets described below, the Governor is required to prepare a six-year capital budget covering the succeeding six fiscal years and beginning in the fiscal year ending June 30, 2010, is required to prepare a 10-year fiscal plan with estimates of significant sources and uses of funds, including among other requirements, operating expenditures, capital expenditures and debt service expenditures. To assist the Governor in preparing budgets and fiscal plans, the Tax Division of the Department of Revenue prepares forecasts of all anticipated revenues. Because the State depends upon petroleum-related revenues, which are volatile and not within the State's control, the Department of Revenue intends that each forecast be conservative. See "—Government Funds" and —"General Fund Forecasts."

General Appropriations. The Governor is required to submit 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. The bills approved by the House of Representatives are then voted upon and may be amended by the Senate. Often a conference committee of three members from each house is required to work out differences between the House-approved bills and the Senate-approved bills. The new versions are then submitted to both houses for final votes. Once enacted by both houses, 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"), but to date no governor has ever vetoed an appropriation made to pay debt service on a State obligation or in connection with any local government obligation. The Legislature may override a veto by the Governor, and either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors or for any other reason.

Debt-Related 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.

Appropriation Limits. The 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 for 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 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 the fiscal year ended June 30, 2009, the appropriations limit was approximately $8.3 billion.

Government Funds

Because the State is dependent upon taxes, royalties, fees and other revenues that can be volatile, the State has developed a number of long-term and short-term options to address cashflow mismatches and budgetary deficits. In addition to the General Fund, some of these include using earnings from the Permanent Fund, borrowing from the Constitutional Budget Reserve Fund and/or from the Statutory Budget Reserve Fund, reducing State expenditures, transferring spending authority among line items, providing additional incentives to develop petroleum or mining resources, reinstituting a State personal income tax and instituting a State sales tax. Most of these options, including the imposition of personal income taxes or sales taxes, would require action by the Legislature.

Often, when the State expects it will receive revenues in an amount greater than the amount originally budgeted, the State prefunds deposits required for the following fiscal year. During the last five fiscal years, for example, the State "forward-funded" deposits in a total amount of $4.9 billion to pay for education, municipal revenue sharing, rural power cost reduction, and retirement system deposits. The current fiscal year 2011 and future fiscal year 2012 education operational budgets are already funded from prior year revenues.

The General Fund. The Alaska 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 moneys to be placed in the Permanent Fund. As a result of these Constitutional provisions, most revenue is 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; a Statutory Budget

Reserve Fund, created by the Legislature in 1986; an Alaska Capital Income Fund, created in 2005; 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) and the Permanent Fund Earnings Reserve (part of the Permanent Fund) are of particular importance to the State. 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-quarters majority vote 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).

The Constitutional Budget Reserve Fund. The Alaska Constitution requires that oil and gas dispute-related revenue be deposited to the Constitutional Budget Reserve Fund. The 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, shall be deposited in the budget reserve fund. Money in 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 fiscal year is less than the amount appropriated for the previous fiscal year. The 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 fiscal year must be deposited in the Constitutional Budget Reserve Fund.

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 fiscal year and also to balance the budget when necessary at the end of the fiscal year. Under Section 17(c) of the Alaska Constitution, the Constitutional Budget Reserve Fund is available for expenditure for legal purposes with a three-quarters majority vote of the Legislature and with approval of the Governor. When funds are appropriated from the Constitutional Budget Reserve Fund under this section, however, an obligation to repay the Constitutional Budget Reserve Fund from the General Fund is recorded. The State's fiscal year 2009 comprehensive annual financial report show a balance of $8,303 million in the Constitutional Budget Reserve Fund as of June 30, 2009. There was no appropriated borrowing from the Constitutional Budget Reserve Fund during fiscal year 2010, and an appropriation of $400 million was made to the Constitutional Budget Reserve Fund from the General Fund. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund was completely repaid and there have been no draws or appropriations from the Reserve in fiscal years 2010 or 2011.

The State transferred funds from the Constitutional Budget Reserve Fund to the General Fund to meet cash flow requirements within most fiscal years between 1994 and 2005. The Notes to the State's financial statements reflect the amounts appropriated from the Constitutional Budget Reserve Fund. From 1991 through fiscal year 2005, the Legislature appropriated funds from the Constitutional Budget Reserve Fund to the General Fund 10 times to meet current year expenditures. The State's financial statements reflect that in six of those years current year deposits of restricted tax settlement revenue exceeded the appropriations from the Reserve. The State has not borrowed for cash flow purposes since fiscal year 2005, when it borrowed and then repaid $200 million a few months later. The Legislature last appropriated funds from the Constitutional Budget Reserve Fund in fiscal year 2005, when the State borrowed $44 million for deposit to the General Fund. The Legislature appropriated to the Constitutional Budget Reserve Fund from the General Fund $50 million in fiscal year 2007 and in fiscal year 2008, appropriated a total of $3 billion to repay a portion of the amount borrowed from the Constitutional Budget Reserve Fund.

As of June 30, 2010, the Constitutional Budget Reserve Fund balance available for appropriation is estimated at approximately $8.6 billion. The State's audited financial statements for the fiscal year ended June 30, 2009 show total assets in the Constitutional Budget Reserve Fund of $8.3 billion, of which $7.1 billion was cash and investments, $465 million was accounts receivable and $729 million was due from other funds.

The Statutory Budget Reserve Fund. The Statutory Budget Reserve Fund has existed in the State's accounting structure since 1986, but had not been funded since 1994 until fiscal year 2008. 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 fiscal year 2008 the Legislature authorized the transfer to the Statutory Reserve Fund of $1.0 billion. As of the date of this Official Statement, the Legislature has not authorized any expenditures from the Statutory Budget Reserve Fund and the balance remains at $1.0 billion.

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 Permanent Fund by the Alaska Permanent Fund Corporation, a public corporation and government instrumentality within the Department of Revenue, 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 the fiscal year ended June 30, 2010 state revenues deposited into the Permanent Fund were $679 million compared to $651 million in the fiscal year ended June 30, 2009. In addition to these constitutionally and statutorily mandated transfers to the Permanent Fund, the Legislature has made special appropriations to the Permanent Fund several times, totaling approximately $7.0 billion as of June 30, 2010.

Pursuant to legislation enacted in 1982, a portion of each year's realized Permanent Fund income is reinvested in the Permanent Fund to offset inflation and is appropriated to grant a Permanent Fund dividend to each person who lived in Alaska during the entire preceding year. Each year, transfers are made from the Permanent Fund Earnings Reserve of the Permanent Fund (other than earnings on funds received during the 1990s from North Slope royalty case settlements, which by statute must be excluded from dividend calculations) in accordance with appropriations, first for dividends and then for inflation-proofing. Between 1982 and 2010, $18.4 billion of dividends ($1,281 per person from fiscal year 2010) were paid to Alaska residents and $12.7 billion of Permanent Fund income has been added to principal for inflation proofing purposes (for the fiscal year ended June 30, 2010 the inflation calculation was -0.35%, therefore there was no inflation proofing transfer, the transfer was $1.144 billion in fiscal year 2009). 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 Earnings Reserve as undistributed income. In future years, if there is insufficient net income to pay dividends or to effect inflation-proofing, any previously accumulated undistributed income in the earnings reserve account may be appropriated by the

Legislature for those purposes. The Legislature may appropriate funds from the Permanent Fund Earnings Reserve at any time for any other lawful purpose, including payments required by the Funding Agreement. The principal portion of the Permanent Fund ($32.0 billion as of June 30, 2010, up from $29.5 billion as of June 30, 2009) may not be spent without amending the State Constitution. The Permanent Fund Earnings Reserve portion of the Permanent Fund ($1,210 million as of June 30, 2010, up from $420 million as of June 30, 2009) may be spent with a simple majority vote of the Legislature. The Permanent Fund is valued at approximately $37.8 billion as of November 11, 2010.

During the fiscal years 1990 through 1999, the 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 remaining income thereon, as of June 30, 2010, is approximately $424.4 million. Earnings on the settlements are excluded from the dividend calculation 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 $20.8 million in fiscal year 2010) are unrestricted and have been appropriated.

Table 4 summarizes the sources and uses of funds available for appropriation during fiscal years ended June 30, 2000 through 2010. The amounts shown in the column entitled "Recurring and Discretionary General Fund Expenditures" exclude amounts expended to satisfy funding requirements of the succeeding fiscal year. The information provided for fiscal years 2000 through 2009 is derived from the State's audited financial statements, while the information for fiscal year 2010 is provided by the State of Alaska Department of Revenue.

Table 4

State of Alaska
Available Funds and Recurring and Discretionary General Fund Expenditures
Fiscal Years Ended June 30, 2000-2010
($ millions)

Fiscal Year	Total General Purpose Unrestricted Revenue (1)	Recurring & Discretionary General Fund Expenditures (2)	Surplus/ (Deficit)	Restricted Revenue Deposited to CBRF	Net Draw on CBRF (3)	CBRF Available Balance (4)	Perm. Fund Earnings Reserve
2000	2,082	2,318	(236)	448	0	2,734.2	2,972.0
2001	2,282	2,284	3	49	0	2,994.8	2,384.0
2002	1,660	2,503	(843)	90	763	2,469.3	1,135.7
2003	1,948	2,496	(548)	22	526	2,092.4	100.0
2004	2,346	2,319	26	8	0	2,064.2	859.3
2005	3,189	2,646	543	27	0	2,235.7	1,439.9
2006	4,200	3,247	953	44	0	2,267.1	2,584.8
2007	5,159	4,272	886	102	0	2,549.0	4,132.0
2008	10,728	5,473	5,256	438	0	5,601.0	4,969.0
2009	5,831	6,000	(169)	1,918	0	7,114.4	440.6
2010	5,513	4,995	518	691	0	8,664.0	1210.0

(1) State of Alaska Department of Revenue, Tax Division
(2) Excludes special savings to forward fund programs and reserve deposits. State of Alaska Office of Management & Budget. See "General Fund Expenditure Trends" and Table 6.
(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

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 revenue and expenditure forecasts, including forecast beginning and ending balances of available funds in the Constitutional Budget Reserve Fund and in the Statutory Budget Reserve Fund through 2020 and forecast oil prices and production levels during the same time period.

The State's preliminary forecasts summarized in Table 5 were provided by the Department of Revenue. The official fall 2010 forecast from the Department of Revenue was released December 3, 2010. 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. Similarly, the forecast does not include any revenues that could be received if a natural gas pipeline is completed before 2020. 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. 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 General Fund and Budget Reserve Projections
Fiscal Years 2011 through 2020

Fiscal Year	General Fund Revenues ($mil)	Recurring & Discretionary General Fund Expenditures ($mil) (1)	Surplus/ (Deficit) ($mil)	Beginning CBRF/Statutory Budget Reserves Balance ($mil)	Ending CBRF/Statutory Budget Reserves Balance ($mil)	Oil Price Forecasts ($/barrel)	ANS Oil Production Forecasts (Mil Barrels per day)
2011	5,372	5,317	54	9,664	11,071	77.96	0.616
2012	5,744	5,479	265	11,071	11,909	82.67	0.622
2013	6,208	5,698	510	11,909	13,025	87.86	0.642
2014	6,768	5,926	842	13,025	14,509	92.41	0.629
2015	7,233	6,163	1,070	14,509	16,260	97.34	0.608
2016	7,822	6,409	1,413	16,260	18,394	100.08	0.623
2017	7,993	6,666	1,327	18,394	20,487	102.90	0.607
2018	8,060	6,932	1,128	20,487	22,426	105.80	0.582
2019	7,846	7,209	636	22,426	23,922	108.78	0.551
2020	7,611	7,498	113	23,922	24,947	111.84	0.520

Source: Projections State of Alaska; Department of Revenue, Tax Division
(1) Recurring and Discretionary General Fund Expenditures: Office of Management and Budget Enacted FY 2011 budget followed by 4% annual growth

In addition to the balances in the Constitutional Budget Reserve Fund and Statutory Budget Reserve Fund shown above, the State also expects to hold the future value of the $37.8 billion currently in the Permanent Fund. The forecasts show that no withdrawals from the Permanent Fund Earnings Reserve would be required for budgetary purposes during this time period.

General Fund Expenditure Trends

From fiscal year 2000 through fiscal year 2010, recurring General Fund expenditures have grown by an average of 7.2 percent annually. Although General Fund expenditures have increased by a greater percentage since fiscal year 2005, a significant portion of the increase in expenditures was for savings, to forward-fund future fiscal year obligations and to make targeted investments. Table 6 summarizes these expenditures from fiscal year 2005 through fiscal year 2011. The information for the fiscal year ending June 30, 2011 reflects the State's budget plan as of June 2010. "Savings" include deposits to the Statutory Budget Reserve Fund and the Constitutional Budget Reserve Fund, two of the State's most accessible reserve accounts. "Investments" include discretionary capital expenditures and supplemental operating expenditures (over $200 million annually) as well as direct payments and any credits to oil companies to underwrite a portion of exploration and development costs. The direct payments to oil exploration and development companies are intended as incentives to encourage more oil exploration activity with the intended result being an increase in oil production in the future. The expenditures under "Fund Future Obligations" include a number of expenditures designed to relieve the State of certain future obligations, such as annual deposits to the retirement systems to reduce the unfunded accrued actuarial liabilities; deposits to the Public Education Fund to set aside in advance in excess of a full year's State K-12 education expenditures; funding of the Power Cost Equalization Fund Endowment, a program that underwrites a portion of the cost of rural consumer energy use; the Revenue Sharing Fund, a program that shares with local municipalities a portion of the State's resource income; and deposits to the Alaska Capital Fund, a fund set aside for future capital projects that could include the costs associated with the developing the natural gas pipeline.

Table 6

State of Alaska Non-Recurring General Fund Expenditure Trends
Fiscal Years 2005 through 2011
($ millions)

Expenditure Category	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011[1]
Savings	$0	$0	$50	$4,683	$213	$600	$240
Investments	266	363	854	1,477	1,310	731	583
Fund Future Obligations	717	1,257	1,000	694	784	444	609
Total	$983	$1,620	$1,904	$6,854	$2,307	$1,775	$1,432

Source: State of Alaska
(1) Fiscal year ending June 30, 2011 reflects the State's budget plan as of June 2010

Other Funds Maintained by the State

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

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. Approximately $502.8 million of general obligation bonds were outstanding as of June 30, 2009, and as of June 30, 2010 the amount of general obligation bonds outstanding was $475.7 million. See "—Current Financing Activities" and Table 9.

The State has $150,050,000 of authorization remaining for general obligation bonds for the purpose of paying the cost of design and construction of certain State transportation projects. This remaining authorization is expected to be sold in a series between the fourth quarter of fiscal year 2011 and the fourth quarter of fiscal year 2012 depending on project cash flow requirement.

On November 2, 2010, voters approved $397,200,000 in general obligation bonds for the purpose of design and construction of library, education and educational research facilities. The Bonds represent a portion of the bonds scheduled for issuance pursuant to this proposition. Following this issuance the State expects that the remaining $197,200,000 of these bonds will be issued in a series between the first quarter of fiscal year 2013 and the third quarter of 2014 depending upon project cash flow requirement.

The following other debt and debt programs of the State were outstanding as of June 30, 2009, 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 first lien is on 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 $383.9 million of State Guaranteed Debt was outstanding as of June 30, 2009. In November 2010, the voters approved the issuance of an additional $600,000,000 of State Guaranteed Debt.

State Supported Debt. State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's 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 Alaska 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 that is reimbursable by the State. Approximately $1,349.8 million of State Supported Debt was outstanding as of June 30, 2009.

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 capital reserve fund to which is attached 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 respective capital 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 $1,250.0 million of State Moral Obligation Bonds were outstanding as of June 30, 2009.

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 $767.5 million of revenue bonds, including $128.0 million of University of Alaska Revenue Bonds, Notes and Contracts, $57.7 million of Sportfish Revenue Bonds and $581.8 million of airport bonds were outstanding as of June 30, 2009.

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, 2009, there was $744.4 million principal amount of State Agency Debt outstanding comprised of $150.0 million AHFC obligations; $11.0 million AMBB Coastal Energy Bonds payable to the National Oceanic and Atmospheric Administration; $196.0 million Alaska Railroad Notes; and $387.4 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, 2009, the total principal amount outstanding of State Agency Collateralized or Insured Debt was approximately $2,698.0 million comprised of approximately $2,505.9 million issued by the AHFC and $192.1 million issued by AIDEA.

Through the Alaska Pension Obligation bond Corporation, the State is authorized to issue 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 State currently has no plans to issue pension obligations bonds.

Table 7 lists, by type, the outstanding State-related debt as of June 30, 2009. There have been no general obligation, lease-purchase or capital lease financings by the State since June 30, 2009. However, other categories of debt have not been compiled beyond June 30, 2009 as of the date of this Official Statement.

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Table 7

State of Alaska Debt and State-Related Debt by Type
as of June 30, 2009

($ in millions)

	Principal Outstanding	Interest to Maturity	Total Debt Service to Maturity
State Debt			
State of Alaska General Obligation Bonds	$ 502.8	$ 201.8	$ 704.6
State Supported Debt			
Lease-Purchase Financings	51.4	11.8	63.2
State Reimbursement of Municipal School Debt Service	920.6	354.7	1,275.3
State Reimbursement of capital projects	50.1	32.8	84.8
Capital Leases	327.7	248.6	576.3
Total State Supported Debt	1,349.8	647.9	1,999.6
State Guaranteed Debt			
Alaska Housing Finance Corporation State Guaranteed Bonds (Veterans' Mortgage Program)	383.9	295.7	679.6
State Moral Obligation Debt			
Alaska Municipal Bond Bank:			
1976 General Resolution General Obligation Bonds	231.2	85.7	316.9
2005 General Resolution General Obligation Bonds	285.3	138.2	423.5
1998-2004 General Revenue Bonds	59.7	37.0	96.7
Alaska Energy Authority:			
Power Revenue Bonds #1 through #5	113.7	46.7	160.4
Utility Revenue Bonds (Including Refundings City and Borough of Sitka)	37.5	14.3	51.8
Alaska Student Loan Corporation Student Loan Revenue Bonds	429.9	201.6	631.5
Alaska Student Loan Corporation Capital Project Revenue Bonds	92.7	16.2	108.9
Total State Moral Obligation Debt	1,250.0	539.8	1,789.8
State Revenue Debt			
Sportfish Revenue Bonds	57.7	24.4	82.1
International Airports Revenue Bonds	581.8	321.3	903.1
University of Alaska Debt			
University of Alaska Revenue Bonds	105.8	49.1	154.9
University Indebtedness to AK Housing Finance Corporation (1)	19.6	2.9	22.5
Note Payable – Endowment Investment Property	0.0	0.0	0.0
Installment Contracts	2.6	0.3	3.0
Total University of Alaska Debt	128.0	52.3	180.4
Total State Revenue and University Debt	767.5	398.1	1,165.6
State Agency Debt			
Alaska Housing Finance Corporation Commercial Paper	150.0	N/A	150.0
Alaska Municipal Bond Bank Coastal Energy Loan Bonds	11.0	0.0	11.0
Alaska Railroad	196.0	64.0	260.0
Northern Tobacco Securitization Corporation			
2000 & 2001 Tobacco Settlement Asset-Backed Bonds	387.4	559.6	947.0
Total State Agency Debt	744.4	623.6	1,368.0
State Agency Collateralized or Insured Debt			
Alaska Housing Finance Corporation			
Collateralized Home Mortgage Bonds & Mortgage Revenue Bonds:			
1997 Through 2009 (First Time Homebuyer Program)	1,259.4	1,135.5	2,394.9
General Mortgage Revenue Bonds 1999 through 2002	230.9	261.8	492.7
Housing Development Bonds 1999 through 2004	293.4	230.9	524.3
General Housing Purpose Bonds 1992 and 2003 and 2005	290.6	244.2	534.8
Government Purpose Bonds 1997 & 2001	162.5	60.0	222.5
State Capital Project Bonds, 2002-2007	263.1	161.7	424.8
State Building Lease Bonds 1999 Series A	6.0	0.5	6.5
Draw Down Bonds	0.0	0.0	0.0
Alaska Industrial Development and Export Authority:			
Revolving Fund and Refunding Revolving Fund Bonds	111.2	11.3	122.5
Power Revenue Bonds, First Series (Snettisham Hydro Project)	80.9	67.1	148.0
Total State Agency Collateralized or Insured Debt	2,698.0	$ 2,173.0	$ 4,871.0
Total State and State Agency Debt	7,696.5		
Municipal Debt			
School G.O. Debt	1,310.2	$ N/A	$ N/A
Other G.O. Debt	1,113.4	N/A	N/A
Revenue Debt	874.4	N/A	N/A
Total Municipal Debt	3,297.9		
Less: State Reimbursable School Debt Reported by Municipalities	-920.6		
Less: State Capital Leases Reported by Conduit (2)	-327.7		
Less: Alaska Municipal Band Bank Debt included in Municipal Debt	-410.4		
Total Alaska Public Debt (2)	$ 9,335.7		

(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."

Source: State of Alaska.

General Fund Supported Obligations. State 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. The State has not always 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
Fiscal Years Ended June 30, 1980 – 2009
($ millions)

Fiscal Year	State G.O.	University Revenue Debt	Lease / Purchase	Capital Leases (1)	School Debt Reimbursement	Capital Project Reimbursements	Total Debt Service (2)
1980	75.1	1.8	10.1	–	24.1	–	111.1
1981	97.6	2.2	10.0	–	38.4	–	148.2
1982	97.5	2.3	10.0	–	38.3	–	148.1
1983	143.6	2.3	9.9	–	36.2	–	192.0
1984	166.3	2.0	9.9	–	90.6	–	268.8
1985	169.5	2.0	10.7	–	93.2	–	275.4
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	–	109.5	–	258.9
1990	120.3	2.2	12.0	–	107.8	–	242.3
1991	95.5	2.7	12.0	–	116.7	–	226.9
1992	68.2	2.7	11.8	–	129.0	–	211.7
1993	59.7	3.7	11.2	–	127.6	–	202.2
1994	33.8	0.2	8.5	–	99.1	–	141.6
1995	22.9	0.2	10.2	–	103.3	–	136.6
1996	21.3	0.2	9.6	–	79.7	–	110.8
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	169.6

(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
Debt Service on Outstanding State Supported Debt
Forecast for Fiscal Years Ended June 30, 2010 – 2034
$ (millions)

Fiscal Year	State G.O. (1)(2)	University Revenue Debt	Lease / Purchase	Capital Leases (3)	School Debt Reimbursement (4)	Capital Project Reimbursements	Total Debt Service (5)
2010	48.9	-	8.0	29.6	94.9	5.2	186.7
2011	53.8	-	8.0	29.7	95.8	5.3	192.5
2012	76.8	-	8.0	29.7	93.0	5.3	212.8
2013	78.4	-	7.9	29.7	97.3	5.2	218.5
2014	59.1	-	5.1	29.7	92.1	5.1	191.1
2015	46.6	-	5.1	29.7	90.0	5.0	176.4
2016	46.5	-	5.0	29.7	85.1	4.2	170.5
2017	46.2	-	5.0	26.7	80.2	4.2	162.3
2018	46.1	-	3.4	26.3	75.2	4.1	155.1
2019	45.9	-	3.4	21.1	68.5	4.1	143.0
2020	34.8	-	2.2	26.3	62.2	2.8	128.3
2021	34.8	-	2.2	21.1	59.5	2.8	120.4
2022	34.8	-	-	21.1	48.9	2.8	107.6
2023	34.9	-	-	21.1	44.8	2.8	103.6
2024	34.9	-	-	21.1	34.4	2.8	93.2
2025	17.0	-	-	21.1	25.5	2.8	66.4
2026	17.0	-	-	21.1	14.5	2.6	55.2
2027	36.0	-	-	21.1	10.5	-	67.6
2028	36.0	-	-	17.8	7.6	-	61.4
2029	35.9	-	-	17.8	2.3	-	56.0
2030	35.9	-	-	17.8	-	-	53.7
2031	23.4	-	-	17.8	-	-	41.2
2032	23.4	-	-	17.8	-	-	41.2
2033	23.4	-	-	17.8	-	-	41.2
2034	23.4	-	-	-	-	-	23.4

(1) Includes debt service of the Bonds net of Build America Bonds Subsidy Payments and QSCB Subsidy Payments.
(2) Does not include debt service on any other unissued general obligation bond authorizations
(3) Includes Mat-Su Correctional Facility lease of December 2008.
(4) Fiscal Year 2010 – Fiscal Year 2030 payments are estimated, rely upon the Department of Education & Early Developments files as of November 15, 2009.
(5) Totals may not add due to rounding.
Source: State of Alaska

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, certificates of participation and the University of Alaska bonds 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 was amended to allow the annual payments on these items to range up to eight percent of unrestricted revenue. Using the official fall 2010 state revenue forecast released December 3, 2010, the historical and projected ratio of debt service on outstanding obligations to unrestricted revenue is shown in Table 10.

Table 10

State of Alaska
Debt Service on Outstanding Obligations to Unrestricted Revenues
Fiscal Years Ended June 30, 1980 – 2014

Fiscal Year	Unrestricted Revenues	State G.O. Debt Service (1)(2)	State Supported Debt Service	Total State Debt Service	School Debt Transfers	Total Debt Service to Revenues
	($Millions)	%	%	%	%	%
1980	3,718.0	2.0	0.3	2.3	0.6	3.0
1981	4,108.4	2.4	0.3	2.7	0.9	3.6
1982	3,631.0	2.7	0.3	3.0	1.1	4.1
1983	3,587.8	4.0	0.3	4.3	1.0	5.4
1984	3,390.1	4.9	0.4	5.3	2.7	7.9
1985	3,260.0	5.2	0.4	5.6	2.9	8.4
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	11.8
1990	2,507.2	4.8	0.6	5.4	4.3	9.7
1991	2,960.6	3.2	0.5	3.7	3.9	7.6
1992	2,462.6	2.8	0.6	3.4	5.2	8.6
1993	2,352.0	2.5	0.6	3.2	5.4	8.6
1994	1,652.5	2.0	0.5	2.6	6.0	8.6
1995	2,082.9	1.1	0.5	1.6	5.0	6.6
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	5,148.5	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 [3]	5,512.7	0.9	0.7	1.6	1.7	3.3
projected						
2011*	5,371.8	1.0	0.7	1.7	1.8	3.5
2012*	5,743.9	1.3	0.7	2.0	1.6	3.6
2013*	6,207.7	1.2	0.6	1.8	1.6	3.4
2014*	6,767.8	0.9	0.5	1.4	1.3	2.7

- Unrestricted revenue projection is based on Fall 2010 State Revenue Forecast.
- Debt Service is based on June 30, 2009 balances.

(1) Includes debt service of the Bonds net of Build America Bonds Subsidy Payments and QSCB Subsidy Payments.
(2) Does not include debt service on any other unissued general obligation bond authorizations
(3) Unaudited

Source: State of Alaska.

RECENT ELECTION RESULTS

On November 2, 2010, Governor Sean Parnell was re-elected as governor of the State for a four-year term. In his campaign, Governor Parnell did not advocate for any significant changes to his policies and initiatives for the State. The Governor's draft budget for fiscal year 2012 is mandated to be released by December 15, 2010.

On November 2, 2010, a general obligation bond proposition was passed by a majority of the qualified voters in the State who voted on the question, authorizing the issuance of $397,200,000 in general obligation bonds for the purpose of design and construction of library, education and educational research facilities. The Bonds represent a portion of the bonds scheduled for issuance pursuant to this proposition.

On November 2, 2010, a bond proposition was passed by a majority of the qualified voters in the State who voted on the question, authorizing the Alaska Housing Finance Corporation to issue $600,000,000 in bonds to provide funds for veteran residential mortgages.

STATE PENSION AND OTHER POST-EMPLOYMENT BENEFIT RESPONSIBILITIES

General

The State, through the Department of Administration, administers five retirement systems and also a healthcare trust, a deferred compensation plan and a supplemental annuity plan. The two largest retirement systems are Teachers' Retirement System ("TRS") and Public Employees' Retirement System ("PERS"). Smaller systems are the Alaska National Guard and Naval Militia Retirement System (the "Military System") and the Judicial Retirement System ("JRS"). The fifth system, the smallest, is the Elected Public Officers Retirement System (the "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 methods, PERS and TRS each has had an unfunded accrued actuarial liability (a "UAAL") and increasing, actuarially required employer contribution rates. The Military System and JRS, although much smaller systems, also had UAALs until June 30, 2008, when the Legislature made additional contributions in amounts calculated to eliminate the entire UAAL of each of the Military System and JRS as of June 30, 2006. 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.

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, during a special session, the Legislature enacted Senate Bill 141 (Chapter 9, 2005 First Special Session Laws of Alaska) to close the PERS and TRS defined benefit plans and to establish defined contribution 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 defined benefit plans and all appropriations, earnings and reserves for the payment of retiree medical obligations be credited to these separate trusts.

The State has received a ruling from the Internal Revenue Service confirming that the State may reallocate a portion of the assets of PERS and TRS to the Retiree Healthcare Trusts.

In 2008 the Legislature enacted two additional reform bills: Senate Bill 125 (Chapter 13, Session Laws of Alaska 2008) and the Retirement Cost Funding Act (Chapter 35, Session Laws of Alaska 2008). The Retirement Cost Funding Act authorizes issuers, including the Alaska Pension Obligation Bond Corporation, 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 State currently has no plans to issue pension obligations bonds.

Senate Bill 125 converted PERS to a cost-share system, similar to TRS, and to shift 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 defined contribution plans' Retiree Health Care Trusts.

The ARM Board

The Alaska Retirement Management (ARM) Board is the fiduciary for funds of three of the retirement systems: TRS, PERS and the Military System and oversees investments 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 State Supplemental Annuity Plan, the deferred compensation program for State employees and the Retiree Healthcare Trusts.

Administration of the Systems

The Commissioner of the Department of Administration 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 Department of Revenue 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.

Valuation Reports

The PERS and TRS retirement systems are funded by a combination of mandatory employee contributions at rates that are determined by statute, investment income and employer contributions at rates determined by the ARM Board based upon recommendations of the actuary in its valuation reports. State law requires that actuarial valuation reports be prepared annually for TRS and PERS 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 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. Individual employer rates represent a percentage of payroll based upon, plus (ii) the individual employer's share of the program's UAAL.

Employee Contributions. Employee contributions are established by statute and vary for each program and for tiers within a program. 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 three of which are State entities, representing approximately 70 percent of active PERS members, 77 municipalities, 53 school districts and 27 other public entities and a total of 27,565 active members and 25,015 retirees and beneficiaries as of June 30, 2009. 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 and beginning in fiscal year 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 earlier 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 24th Alaska Legislature passed Senate Bill 141 closing the PERS' defined benefit plan to members first hired on or after July 1, 2006 and creating for Tier 4 employees a defined contribution retirement plan with different retirement medical coverage and disability benefit provisions.

Pension Benefits. Members are eligible for normal retirement at age 55 or early retirement at age 50 (Tier 1) or (for Tiers 2 and 3) retirement at age 60 and early retirement at 55, 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.

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.

Table 11 presents a summary of the funding status of PERS as a whole, including pension and post-employment healthcare benefits combined, as of June 30, 1999 through 2009. The information presented in Table 11 is derived from the 2009 PERS Valuation Report and differs from the information about PERS prepared for accounting purposes.

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Table 11
PERS Funding Status (1)
(as of June 30)
($000s)

Actuarial Valuation Year	Aggregate Accrued Liability (000's)	Valuation Assets	Unfunded Liability	Funded Ratio
1999	$6,648,673	$7,016,340	N/A	105.5%
2000 (2)	7,376,912	7,454,758	N/A	101.1
2001	7,868,574	7,941,756	N/A	100.9
2002 (2) (3)	9,859,591	7,412,833	$2,446,758	75.2
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 (4)	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

(1) For PERS as a whole, all Tiers and pension and other post-employment benefits combined.
(2) Change in valuation assumptions (particularly the healthcare cost assumptions) and change in methods.
(3) Change in asset valuation method. In 2002, introduction of smoothing
(4) Tier 4, the PERS defined contribution plan, became effective for employees first hired after June 30, 2006 and the defined benefit plans were closed. Change in healthcare cost assumptions.

Source: 2009 PERS Valuation Report.

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), 8,226 active members and 10,255 retirees and beneficiaries as of June 30, 2009. Membership in TRS is mandatory for all full- and part-time employees hired before July 1, 2006, 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.

Pension Benefits. Tier I 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 II 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 III 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 III 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 I 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 II 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 II members may receive coverage prior to age 60 if they pay the premiums. Medical benefits are supplemental to Medicare. For both Tier I and Tier II, coverage includes coverage for eligible dependents.

For Tier III, 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.

The information about TRS funding status included in Table 12 reflects the status of TRS as of June 30, 2009. 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 12

TRS Funding Status
as of June 30 (1)

Actuarial Valuation Year	Aggregate Accrued Liability	Valuation Assets	Unfunded Liability	Funded Ratio
1999	$3,720,954	$3,815,633	N/A	102.5%
2000 (2) (3) (4)	4,198,868	4,184,015	$14,853	99.6
2001	4,603,147	4,372,229	230,918	95.0
2002 (2) (3) (4)	5,411,642	3,689,036	1,722,606	68.2
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

(1) Includes pension benefits and other post-employment benefits.
(2) Change in asset valuation method.
(3) Change of assumptions
(4) Change of methods.
Source: 2009 TRS Valuation Report.

The Other Retirement Systems

The Alaska National Guard and Alaska Naval Militia Retirement System. The NGNMRS was established in 1973, 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 of $9.87 million to eliminate the Military System UAAL in May 2008. Total contribution for FY2009 was $2.47 million.

The Judicial Retirement System. 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 to eliminate the Judicial System UAAL that existed as of June 30, 2006. Total contributions for FY2009 were $4.7 million for pensions and $1.3 million for postemployment benefits.

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. The actuarial assumed liability was stated to be approximately $20 million, with an annual payment of approximately $1.5 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 January 31, 2009, the supplemental benefits system had approximately 38,000 participants. At January 31, 2009, net assets available for system benefits were $1.804 billion. These assets are held in trust by the State of Alaska for the exclusive benefit of covered employees and their beneficiaries.

State's Deferred Compensation Plan

The State maintains a 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 December 31, 2008, the Plan had approximately 9,000 participants. At December 31, 2008, the net assets available for Plan benefits were $442.0 million. These assets are held in trust by the State of Alaska 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.

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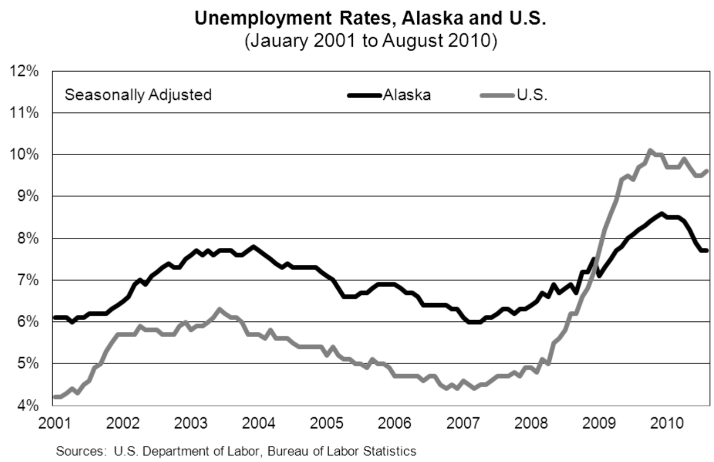
THE ECONOMY

The economic and demographic information provided below has been derived from State publications and services which the State considers to be reliable. Except as otherwise noted, the last year for which such information is currently available is 2008. Because it is not practicable to obtain timely economic and demographic information, the State's economic condition may not be fully apparent in the currently available economic and demographic statistics.

Employment

The unemployment rate for Alaska as of June 2010 was 7.9%, down from 8.8% in June 2009. Comparable national jobless rate for the nation in June 2010 was 9.5%. Yet, statewide employment rose an estimated 4,200 over the 12-month period ended June 2010.

As noted in the table below, historically the State's unemployment rate has exceeded the national rate, but since January 2009 Alaska's unemployment rate has been lower than the U.S.[1]



The largest employment sector in Alaska is government: comprised of federal, state and local government employees. Government employment in 2009 was 84,200. The largest non-government sector of employment was Trade, Transportation and Utilities with 63,600.[2] The table below provides a summary of the employment of the Alaska labor force by industry.

[1] Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics
[2] Alaska Department of Labor and Workforce Development, Research and Analysis Section

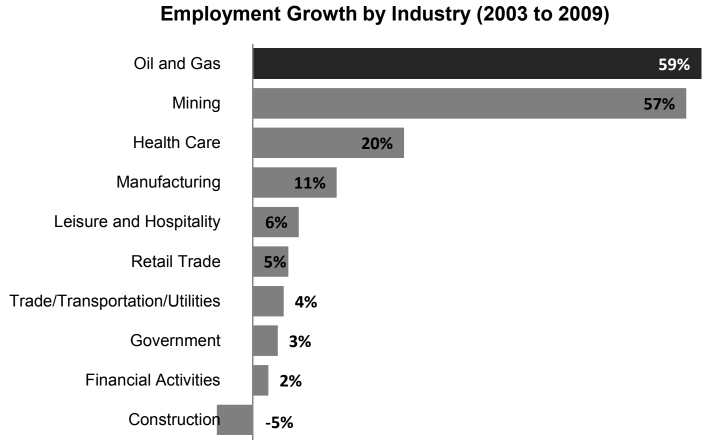
Alaska Labor Force Summary

Alaska Nonfarm Wage and Salary Employment (2009)

Total Nonfarm Wage and Salary [1]	321,200
Goods Producing [2]	44,300
Service-Providing [3]	276,800
Natural Resources and Mining	15,300
Logging	200
Mining	15,100
Oil and Gas	12,900
Construction	16,100
Manufacturing	13,000
Wood Product Manufacturing	400
Seafood Product Processing	9,200
Trade, Transportation, Utilities	63,300
Wholesale Trade	6,300
Retail Trade	35,600
Food and Beverage Stores	6,300
General Merchandise Stores	9,900
Transportation, Warehousing, Utilities	21,400
Air Transportation	6,100
Truck Transportation	3,100
Information	6,600
Telecommunications	4,300
Financial Activities	14,700
Professional and Business Services	26,100
Educational [4] **and Health Services**	39,100
Health Care	28,200
Leisure and Hospitality	31,400
Accommodations	7,700
Food Services and Drinking Places	19,000
Other Services	11,500
Government	84,200
Federal Government [5]	17,000
State Government	25,400
State Government Education [6]	7,200
Local Government	41,800
Local Government Education [7]	23,100
Tribal Government	3,700

[1] Excludes self-employed, fishermen and other agricultural workers, and private household workers
[2] Good-producing sectors include natural resources and mining, construction and manufacturing
[3] Service-providing sectors include all others not listed as goods-producing sectors
[4] Private education only
[5] Excludes uniformed military
[6] Includes the University of Alaska
[7] Includes public school systems
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

The following chart shows the percentage of employment growth by industry.



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

Income

In 2009, Alaska had a per capita personal income of $43,209, a decrease of 2.7% from the 2008 per capita personal income. In 2009 Alaska's per capita personal income ranked 8th in the United States and was 109% of the national average of $39,626. This compares to a per capita personal income for the United States of $40,208 in 2008 and $38,611 in 2007.[1]

From 2008 to 2009, inflation grew by 1.2% in Anchorage (the only Alaska city included in the Consumer Price Index). The average in the United States was -0.4%. The average annual inflation rate in Anchorage from 2000 to 2009 was 4.5%, compared to an average annual inflation rate for the U.S. from 2000 to 2009 of 4.7%.[2]

Cost of living in Alaska remains significantly higher than the national average. The Council for Community and Economic Research's ACCRA Cost of Living Index for 2009, which compares the livings costs for about 300 urban areas in the United States, indicates that three Alaska cities included in the comparison are each at least 24% more expensive than the average city in the index.[3]

Population

Alaska's statewide population increased by 10.3%, or 64,781 people, from 2000 to 2009. Alaska's growth was greater than the 8.8% increase for the United States as a whole during the nine-year period. Alaska's average annual rate of population change was 1.1% during the period 2000-2009 and 1.5% for the period 2008-2009. Currently, Alaska's growth as a whole is primarily through natural increase.[4]

The following table summarizes the State's population growth since 2000, as well as the growth of population in the State's five largest municipalities. In 2009, these municipalities account for about 79.86% of the State's total population.

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[1] Bureau of Economic Accounts, Regional Economic Accounts, State BEARFACTS 1997-2007, Alaska.
[2] Department of Labor and Workforce Development, Research and Analysis Section, CPI Consumer Price Index
[3] Alaska Department of Labor and Workforce Development, Alaska Economic Trends, July 2008.
[4] Alaska Department of Labor and Workforce Development, Research and Analysis Section. "Alaska Population Estimates, 2000-2009

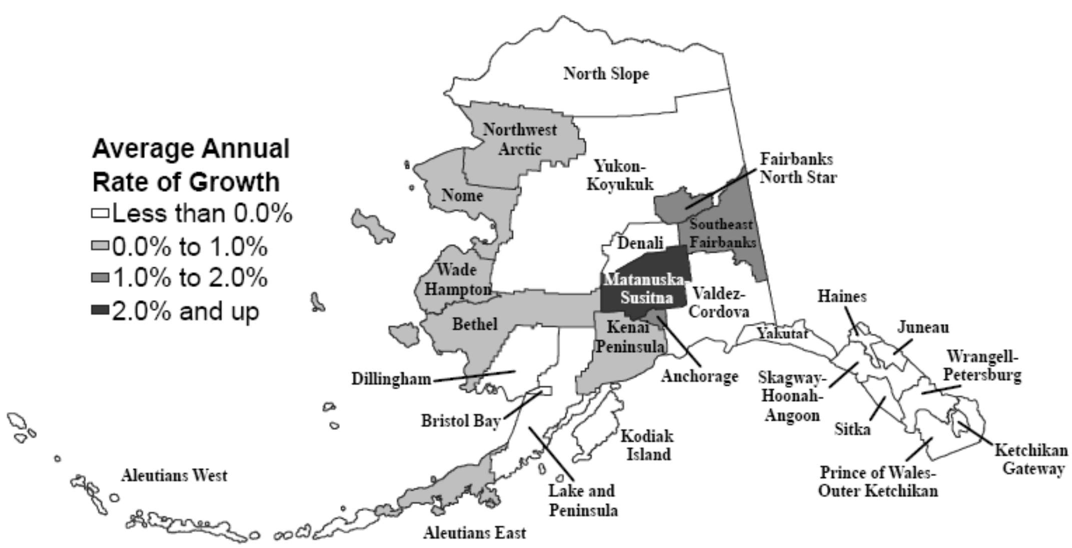
Population of Alaska (1990-2009)

Area Name	Estimate 2009	Estimate 2008	Estimate 2007	Estimate 2006	Estimate 2005	Estimate 2004	Estimate 2003	Estimate 2002	Estimate 2001	April 1 Census 2000	April 1 Census 1990
	2009 Vintage Population Estimates										
Alaska	692,314	681,977	676,056	671,202	664,334	657,483	647,884	640,643	632,200	626,931	550,043
Anchorage, Municipality of	290,588	283,912	282,968	283,348	278,407	277,880	273,069	267,860	264,886	260,283	226,338
Matanuska-Susitna Borough	84,314	82,429	79,868	77,302	74,128	70,466	67,544	64,360	61,760	59,322	39,683
Kenai Peninsula Borough	53,578	52,959	52,230	51,467	51,269	51,239	51,454	50,682	50,082	49,691	40,802
Fairbanks North Star Borough	93,779	92,762	91,525	87,797	87,739	85,474	82,173	84,765	83,276	82,840	77,720
Juneau City and Borough	30,661	30,405	30,198	30,822	31,238	31,130	31,300	31,003	30,458	30,711	26,751

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and US Census 2000, 1990.

In 2009, 41 places in Alaska had populations of more than 2,000. Of the 29 boroughs and census areas in the State, 11 gained population between 2000 and 2009. Population growth in the Municipality of Anchorage and the Matanuska-Susitna Borough accounted for approximately 75.4% of the growth in those 11 boroughs and census areas. Outside the Anchorage/Mat-Su area, the majority of the communities have experienced flat or declining populations.

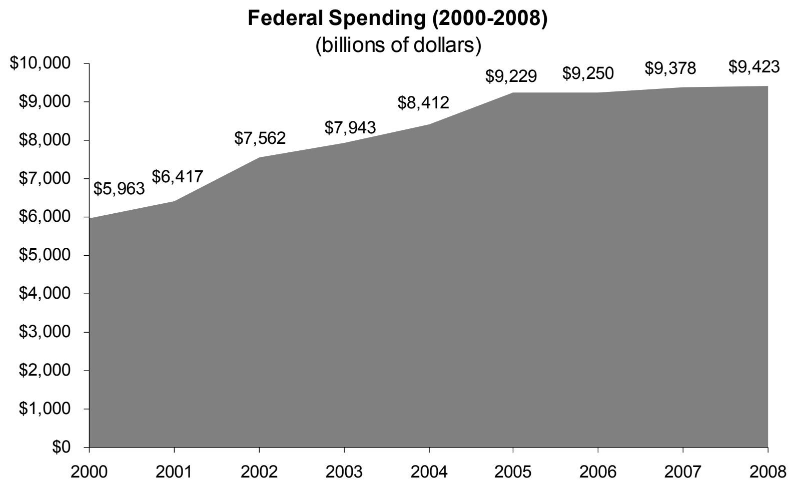
State Population Growth Rates Map (2009)



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

Federal Spending[1]

Federal spending has a significant impact on Alaska's economy. Federal spending has increased since 2000. In 2008, the most recent year for which data is available, federal spending in Alaska totaled $9.4 billion, up 5% from 2007. Federal spending per capita in Alaska was $13,730, a 0.4% increase from 2007. Alaska currently ranks 3rd in total per capita spending behind Maryland and Virginia. Alaska ranks 1st in Salaries and Wages, 2nd in Grants and 4th in Procurements. In addition, State dollars are used to leverage federal funds in matching grant programs.



Oil and Gas

Alaska's oil and gas industry is the largest source of revenue to the State, providing between 85 – 90% of general fund revenues, but accounts for only about 4% of Alaska's total employment.

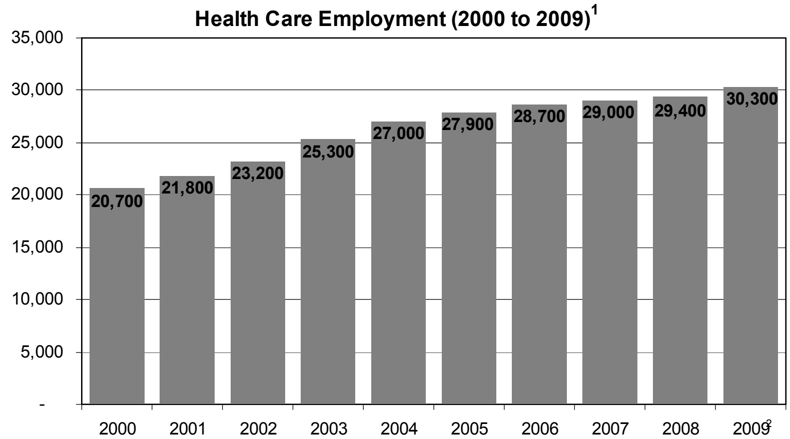
Oil production on the North Slope continues to decline, with 6.1% less oil produced in FY 2010 than in FY 2009.The amount of oil revenue received depends heavily on oil prices, and oil prices in FY 2010 were stable, with average monthly prices between $69.20 and $82.23. Thus, although production volumes have continued to drop as oil reserves are reduced, high oil prices and the ACES tax structure have bolstered State revenue from oil in 2008 to 2010. State unrestricted revenue from the oil in 2010 was the third highest in the last 10 years, at $4,914.7 million, behind $5,181 million in 2009 and 2008 when oil revenue was $9,956 million.

In 2010, employment levels in the oil and gas industry were approximately 12,000, a slight reduction from 2009. In 2009, employment levels in the oil and gas industry exceeded 13,000.

Health Care[2]

Alaska's health care employment increased from 20,700 in 2000 to 30,300 in 2009, growing more than three times as fast as all other industries. At the end of 2009, health care and government were the State's only two industries that were still growing, while most others were losing ground.

[1] Alaska Economic Performance Report 2008, Federal Spending
[2] Alaska Economic Trends, March 2010, Alaska's Health Care Industry



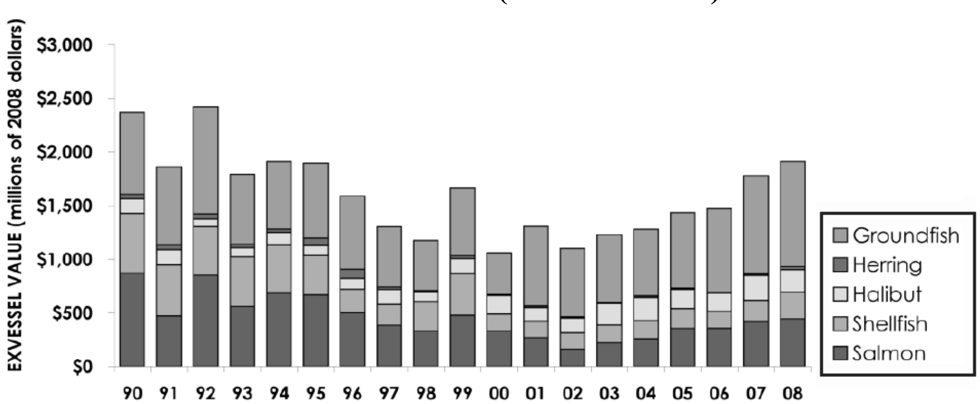
(1) Includes the private and public sectors
(2) The 2009 employment is based on the first three quarters of the year
Source: Alaska Department of Labor and Workforce Developtment, Research and Analysis Section

Demographics have been a contributing factor to the growth of Alaska's health care employment. Although only 7.2% of Alaskans are older than 65 (compared to the nation's 12.5%), the State's 65-plus population has grown by 53% between 1996 and 2008. In addition, an increasing share of Alaska's health care needs are met locally, instead of people having to go out-of-state for treatment. As the State's health care industry grows, more health care choices exist and more health care money is spent in Alaska.

Fisheries[1]

In 2008, Alaska's commercial fishermen harvested seafood with an ex-vessel value of $1.9 billion. Seafood processors earned $3.9 billion based on the first wholesale value, exceeding 2007's ex-vessel and first wholesale values of $1.7 billion and $3.6 billion, respectively. When adjusted for inflation, the 2008 earnings are the highest received for both sectors since 1992.

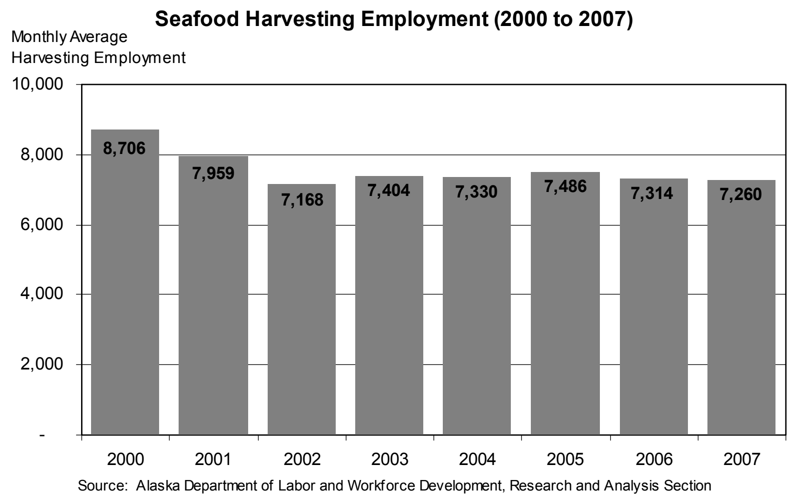
Alaska's Total Fisheries Value (Nominal & Real) 1990-2008[2]



Two of the country's four top fishing ports ranked by total harvest volume and value were in Alaska. Dutch Harbor remains first in terms of volume and second in value at $174 million; Kodiak was again fourth in volume, placing third in value with nearly $127 million in seafood. Alaska ports accounted for 40 percent of the total value of the top 10 ports in the U.S. in terms of value.

[1] Alaska Economic Trends, November 2008, Employment in Alaska's Fisheries
[2] Alaska Economic Performance Report 2008

The average monthly fish harvesting job count was 7,260 in 2007, but at the peak of summer, the monthly job count rose to 20,137. The 2007 fish harvesting employment of 2007 7,260 jobs was a decrease from 2006 of 0.7%, or 54 jobs. When employment from seafood processing and transportation workers are included with harvesting employment, at least 54,000 people were involved in commercial fishing during 2007.



Seafood preparation and packaging is one of Alaska's most cyclical industries, since it mostly follows the changes in fish harvesting from season to season and year to year.

Mining[1]

The value of Alaska's mineral industry slightly exceeded $1 billion dollars from 1996-2003. Since 2003, the total value of the industry quadrupled to $4 billion in 2007. In 2008, Alaska's mineral production totaled $2.4 billion, while exploration totaled $347.3 million and development expenditures were $396.2 million.

Alaska's largest producing mines include Red Dog lead and zinc mine near Kotzebue, the Fort Knox gold mine near Fairbanks, the Usibelli coal mine near Healy, the Greens Creek gold, silver, lead and zinc mine near Juneau and the Pogo gold mine 90 miles southeast of Fairbanks. Development is underway at the Rock Creek, Nixon Fork Mine and Chuitna Coal projects, with exploration at other projects, including Donlin Creek gold project and Pebble copper-gold project.

Alaska's mineral industry provided 3,288 full-time-equivalent jobs with total payroll of $350 million in 2008.

Tourism[2]

The 2008 Alaska Visitor Statistics Program (AVSP) estimates that 1.7 million out-of-state visitors came to Alaska between May and September 2008, a 0.4% increase in visitor volume over summer 2007. Of that number, over 1 million were cruise ship passengers, 597,200 entered and exited the State by air, and 77,100 entered or exited the State by highway or ferry. Overall cruise visitor volume increased 0.3% between 2007 and 2008. The number of visitors by air decreased 0.84%, representing the first time in this

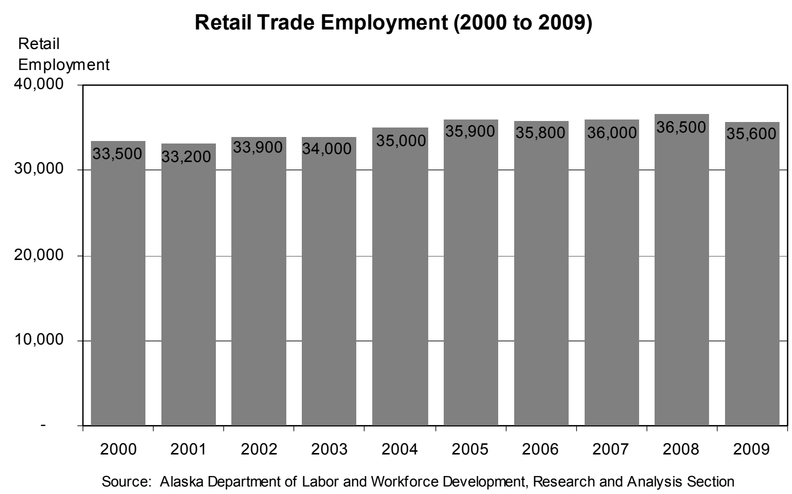
[1] Alaska Economic Performance Report 2008, Mining
[2] Alaska Economic Performance Report 2008, Tourism

decade that the air category has not increased. Likely, the drop in summer 2008 visitation was the result of the economic recession and high gasoline prices.

The Alaska Department of Commerce, Community and Economic Development contracted with McDowell Group to gauge the impact of Alaska's visitor industry during the period of October 2008 through September 2009[1]. An estimated 1.58 million out-of-state visitors traveled to Alaska between May and September 2009. Two-thirds of this total (1,026,600, or 65 percent) was cruise passengers. An additional 242,500 out-of-state visitors traveled to Alaska between October 2008 and April 2009. Direct visitor industry spending in Alaska of approximately $2.1 billion in the 2008-09 study period directly generated 27,100 jobs in Alaska, and $800 million in labor income. Indirect or secondary visitor-related spending totaled approximately $1.3 billion. The statewide employment and income effects of $1.3 billion in secondary spending are estimated at 9,100 jobs and $346 million in labor income. In summary, Alaska's visitor industry accounted for a total of 36,200 full and part-time jobs in 2008-09, over $1.1 billion in labor income, and $3.4 billion in total spending, including all direct, indirect and induced effects.

Retail[2]

Retail trade is Alaska's largest private sector employer. Since 2000, increases in retail trade employment have mirrored the overall economic and population growth of the State.



Statistics on retail trade in Alaska is somewhat limited due to a lack of sales tax in many of the State's largest retail markets. Census data, however, indicates that Alaska's per capita sales run 9% above the national average, due in large part to higher prices.

Transportation[3]

Alaskans are uniquely dependent on an efficient intermodal transportation system. 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 in the United States. 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

[1] Economic Impact of Visitor Industry, March 2010, prepared by McDowell Group for State of Alaska Department of Commerce, Community and Economic Development
[2] Alaska Economic Trends, December 2008, Retail Trade in Alaska
[3] Alaska State Transportation Plan, adopted February 29, 2008

make road construction difficult and very costly compared to the number of users. Many remote communities are connected to the rest of Alaska, and the rest of the world, through either waterways or airports, and do not have 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 United States 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 are flown from Anchorage or Fairbanks to the remote communities. Heavy or bulk commodities are likely to move 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. Air transportation provides the only means of access for over 149 communities in Alaska. The aviation industry provides 47,000 jobs statewide and is the 5th largest provider to Alaska's gross state product, contributing over $3.5 billion.[1]

The State owns about 258 airports, including Ted Stevens Anchorage International Airport ("ANC") and Fairbanks International Airport. ANC serves as the primary passenger airport in the State and 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 six cargo airport in the world by Airports Council International in calendar year 2009. In fiscal year 2010, all-cargo certificated maximum gross takeoff weight (measured in 1,000 lb. units) increased to 23,825,729 from 20,307,000 in 2000. In fiscal year 2010, passenger activity at ANC (including passenger enplanements, passenger deplanements and in-transit passengers) was approximately 4.88 million, as compared to 5.03 million in 2000. Cargo levels and passenger activity at ANC has declined since FY2008. Management of ANC believes this decline reflects the economic downturn and has generally paralleled reduction in activity levels worldwide.[2]

Alaska's ports and harbors are an important element of the State's economy, providing for the import and export of goods. There are approximately 476 public and private ports and harbor in Alaska. 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. Access to these resources contributed millions to the state and local economy and provides jobs and opportunities for Alaskans.[3]

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. For many communities in coastal Alaska, ferry service serves as their highway providing connections to other communities and beyond. AMHS has experienced increases in passenger and vehicle traffic in each of the last three years. In 2008, AMHS carried approximately 317,891 passengers and 108,541 vehicles. AMHS operates eleven vessels.[4]

The Alaska Railroad operates 651 railway miles in Alaska. The Alaska Railroad plays an important economic role. In 2009, the Alaska Railroad carried 6.16 million tons of freight and over 470,786 passengers. As of January 2010, the railroad was employing 657 year-round employees.[5]

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[1] Presentation by Christine Klein, Deputy Commissioner, Airports and Aviation, Alaska Department of Transportation and Public Facilities, to Joint House and Senate Transportation Committees, February 2009

[2] Official Statement, $171,060,000 State of Alaska, International Airports System Revenue and Refunding Bonds, Series 2010ABCD, dated September 14, 2010.

[3] Presentation to Joint House and Senate Transportation Committees, January 2009

[4] Alaska Marine Highway, Annual Traffic Volume Report, 2009

[5] Alaska Railroad Corporation Fact Sheet, http://www.akrr.com/arrc29.html

The Alaska Department of Transportation and Public Facilities was the recipient of economic stimulus highway, aviation and transit funds, and has coordinated with the State Office of Management and Budget, State legislators and federal officials in the application of such funds.

INVESTMENT POLICIES

General Fund, Constitutional Budget Reserve Fund and Other Subfunds

By statute, the Commissioner of the Department of Revenue 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, 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, 2010, the target asset allocation for the General Fund is 44 percent short-term fixed income and 56 percent intermediate-term fixed income investments. The Constitutional Budget Reserve Fund has two components, the main account with an intermediate time horizon and the subaccount with a moderately long time horizon. The subaccount has the ability to accept higher risk in exchange for higher expected returns due to the longer time horizon. As of July 1, 2010, the Constitutional Budget Reserve Fund main account has a target asset allocation of 20 percent broad-market fixed income, 71 percent intermediate-term fixed income and 9 percent short-term fixed income. As of July 1, 2010, the Constitutional Budget Reserve Fund subaccount has an asset allocation of 35 percent broad-market fixed income, 52 percent domestic equity, 9 percent international equity, 3% intermediate term U.S. treasury and 1% emerging market fixed income. As of July 1, 2010, the target asset allocation for the Statutory Budget Reserve Fund is the same as the General Fund.

Annually, the Commissioner of the Department of Revenue 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 Alaska Statute 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 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 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, 23 percent bonds, 12 percent real estate, 6 percent private equity, 6 percent absolute return, 3 percent infrastructure investments, 2 percent cash and 12 percent allocated to other investments. The APFC Board also establishes polices and guidelines for the asset classes in which fund assets are invested.

To allow for market fluctuations and to minimize transaction costs, the APFC's 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 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 of Alaska, 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 of Alaska.

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.

Tobacco Securitization 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 Alaska Housing Finance Corporation (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% 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 is using the bond proceeds to pay for a variety of construction and maintenance projects including rural schools, ports and harbors.

The master settlement agreement is being challenged in federal court in other jurisdictions; if there is an adverse decision as to the enforceability of the agreement, the State could experience an impairment of its right to receive the remaining 20 percent of revenue that is not pledged to the NTSC and the NTSC could suffer a revenue shortfall. Additionally, the master settlement agreement provides for a payment adjustment mechanism that, when triggered, could also 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, 2004, 2005, 2006, 2007, and 2008. States that have diligently enforced their qualifying statute are to be exempted from the application of this adjustment mechanism. In July of this year, an arbitration commenced regarding which states "diligently enforced" their qualifying statutes in 2003. State specific hearings have not yet been scheduled in this proceeding.

Oil and Gas Tax Litigation

There are a number of disputed tax assessments against oil and gas corporations which are at the administrative level and thus confidential under Alaska Statute 43.05.230(a). The assessments involve the corporate income tax (Alaska Statute 43.20) or the oil and gas production tax (Alaska Statute 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.

Facilities Funding for Schools Litigation

On September 1, 1999, the Alaska Superior Court in *Kasayulie, et al. v. State of Alaska*, Alaska Superior Court No. 3AN-97-3782 CI, granted partial summary judgment against the State, ruling that the State's method of funding new construction and major maintenance of Regional Educational Attendance Area schools violates the education clause of the Alaska Constitution, the equal protection clause of the U.S. Constitution, and Title VI of the Civil Rights Act of 1964. The State's methods of financing new construction and major maintenance involve reimbursement of municipal school debt for municipal school districts and direct appropriations for rural school districts. Plaintiffs contend that debt reimbursement is automatic and this confers a differential benefit to rural residents.

The litigation also alleged a breach of trust committed when the Legislature in 1978 transformed all public school trust land into general grant land. In the same legislation, the Legislature provided for allocations into a public school trust fund of one-half of one percent of all State land revenue (which has included State oil and gas revenues). As a result, this public school trust fund has grown from $200,000 at statehood (1915 – 1959), to $8.5 million in 1978, to over $371 million at the end of fiscal year 2007. Income generated to support public schools likewise grew from $560,000 in fiscal year 1978 to $8.5 million in fiscal year 2001 and over $12 million in the fiscal year ended 2007. Plaintiffs contend that the trust was not fairly compensated for the value of former school trust land.

Education Adequacy Litigation

This case was filed by three school districts, the National Education Association (NEA), an organization of school districts (CEAAC), and a few individuals. The plaintiffs' complaint alleged that the quality of the education offered in the State did not meet the requirements of the Education Clause of the Alaska Constitution, and that the level of funding of education also did not meet the requirements of the Education Clause. They also alleged that the State's education violated the due process clause. After a month-long trial in October 2006, the Superior Court issued an opinion in the case in June 2007. The court established a four-part test for adequacy of education under the Education Clause, which included both adequate funding and adequate oversight of school districts by the State. The court held that the Legislature was providing adequate funding, and that, except for a few districts, the State was in compliance with all parts of the four part test. For those few districts, however, the court held that the

State needed to be more involved in oversight. The court stayed its order for one year, to allow the State time to provide additional oversight in the districts that needed additional oversight. In addition, the court found that the due process clause would prohibit the State from enforcing the high school exit exam in those districts in which education was not adequate. This ruling was also stayed for one year to allow the State to provide the needed assistance in the affected districts. During the interim, the Legislature amended statutes to clarify the State's ability to intervene in school districts that have low academic achievement, and gave the State authority to redirect education funding that is provided to districts. Trial resumed and concluded in October 2008 on the remaining issues in the case. The State defended its existing oversight and accountability system, under which it has intervened in five school districts. The plaintiffs requested that the court order the State to provide more assistance and resources to districts that are not demonstrating sufficient achievement. On February 4, 2009, the court issued a decision on the adequacy of the state's oversight. The court found no problem with the selection process for choosing districts in which to intervene, and it found that the elements of the intervention were consistent with best practices. The court also held, however, that the state's interventions were too narrow in scope, and, accordingly, did not comport with the constitutional floor for state oversight. The court ordered the state to present revised intervention plans in 60 days that expanded the scope of the interventions. The state submitted amended plans in May 2009, and on March 31, 2010, the Court issued an order describing continued deficiencies in the State's oversight of education, and ordering the State to address the deficiencies. On October 15, 2010, the State filed a Compliance Report addressing the Court's most recent order. *Moore v. State*, Superior Ct. Case No. 3AN-04-9756 CI.

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 appeals.

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.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of K&L Gates LLP of Seattle, Washington, Bond Counsel to the State. The form of the Bond Counsel's opinions is attached as APPENDIX B hereto. The Office of the Acting Attorney General, Honorable Richard A. Svobodny, will issue a certificate regarding no litigation affecting the issuance of the Bonds. Certain legal matters will be passed upon for the Underwriters by Underwriters' Counsel, Birch Horton Bittner & Cherot, Anchorage, Alaska.

TAX MATTERS

Series 2010A Bonds and Series 2010B Bonds

This advice was written to support the promotion or marketing of the Series 2010A Bonds and the Series 2010B Bonds. This advice is not intended or written by K&L Gates LLP to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code. Prospective purchasers of the Series 2010A Bonds and the Series 2010B Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of Series 2010A Bonds and Series 2010B Bonds. This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only Series 2010A Bonds and Series 2010B Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the Series 2010A Bonds and the Series 2010B Bonds as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Series 2010A Bonds and the Series 2010B Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED WITHIN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY, OF PURCHASING, HOLDING, OWNING AND DISPOSING OF THE SERIES 2010A BONDS AND THE SERIES 2010B BONDS, INCLUDING THE ADVISABILITY OF MAKING ANY OF THE ELECTIONS DESCRIBED BELOW, BEFORE DETERMINING WHETHER TO PURCHASE THE SERIES 2010A BONDS AND THE SERIES 2010B BONDS.

For purposes of this discussion, a "U.S. person" means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations. The term also includes nonresident alien individuals, foreign corporations, foreign partnerships, and foreign estates and trusts ("Foreign Owners") to the extent that their ownership of the Series 2010A Bonds and the Series 2010B Bonds is effectively connected with the conduct of a trade or business within the United States, as well as certain former citizens and residents of the United States who, under certain circumstances, are taxed on income from U.S. sources as if they were citizens or residents. It should also be noted that certain "single member entities" are disregarded for U.S. federal income tax purposes. Such Foreign Owners and Owners who are single member non-corporate entities, should consult with their own tax advisors to determine the U.S. federal, state, local, and other tax consequences that may be relevant to them.

In General. The State will make irrevocable elections to have the Series 2010A Bonds treated as "Build America Bonds" within the meaning of section 54AA(d) of the of the Code that are "qualified bonds" within the meaning of section 54AA(d) of the Code. As a result of these elections, interest on the Series 2010A Bonds is not excludable from the gross income of the Owners for federal income tax purposes. Owners of the Series 2010A Bonds will not be entitled to any tax credits as a result either of ownership of the Series 2010A Bonds or of receipt of any interest payments on the Series 2010A Bonds. In addition, a Series 2010A Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

The Series 2010B Bonds are being issued as "Qualified School Construction Bonds" within the meaning of section 54F of the Code, and the State will make an irrevocable election to have the Series 2010B Bonds treated as "direct pay tax credit bonds" within the meaning of section 6431(f)(3) of the Code. As a result, interest on the Series 2010B Bonds is not excludable from the gross income of the Owners for federal income tax purposes. Owners of the Series 2010B Bonds will not be entitled to any tax credit as a result of ownership of the Series 2010B Bonds. In addition, a Series 2010B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

Payments of Interest. Interest, including additional amounts of cash and interest, if any, paid on the Series 2010A Bonds and the Series 2010B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Disposition or Retirement. Upon the sale, exchange or other disposition of a Series 2010A Bond or a Series 2010B Bond, or upon the retirement of a Series 2010A Bond or Series 2010B Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the Series 2010A Bonds and the Series 2010B Bonds. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. If the State defeases any Series 2010A Bond or any Series 2010B Bond, such Series 2010A Bond or Series 2010B Bond may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a Series 2010A Bond or Series 2010B Bond would recognize a gain or loss on the Series 2010A Bond or Series 2010B Bond at the time of defeasance.

The Code contains a number of provisions relating to the taxation of securities such as the Series 2010A Bonds and the Series 2010B Bonds (including, but not limited to the tax treatment of and accounting of interest, premium, original issue discount and market discount thereon, gain from the sale, exchange of other disposition thereof and withholding tax on income therefrom) that may affect the taxation of certain owners, depending on their particular tax situations.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Series 2010A Bonds and the Series 2010B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons

Series 2010C Bonds

In the opinion of Bond Counsel, interest on the Series 2010C Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Series 2010C Bonds is not an item of tax preference for purposes of either the individual or corporate alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations.

Interest on the Series 2010C Bonds is not included in taxable income for purposes of the Alaska income tax imposed on corporations.

Federal income tax law contains a number of requirements that apply to the Series 2010C Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Series 2010C Bonds and the facilities financed with proceeds of the Series 2010C Bonds and certain other matters. The State has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the State comply with the above-referenced covenants and, in addition, will rely on representations by the State and its advisors with respect to matters solely within the knowledge of the State and its advisors, respectively, which Bond Counsel has not independently verified. If the State fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Series 2010C Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2010C Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2010C Bonds. Owners of the Series 2010C Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2010C Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, the extent to which interest on the Series 2010C Bonds is included in adjusted current earnings for the purposes of computing the federal alternative minimum tax imposed on certain corporations and various withholding requirements.

Prospective purchasers of the Series 2010C Bonds should be aware that ownership of the Series 2010C Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2010C Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Series 2010C Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations such as the Series 2010C Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the State's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2010C Bonds. Owners of the Series 2010C Bonds are advised that, if the IRS does audit the Series 2010C Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the State as the taxpayer, and the owners of the Series 2010C Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Series 2010C Bonds until the audit is concluded, regardless of the ultimate outcome.

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.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements under Title I, Part 4 of ERISA, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any Series 2010A Bonds or any Series 2010B Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets within the meaning of 29 CFR Sec. 2510.3-102 as modified by ERISA Section 3(42). Depending on the identity of the Plan fiduciary making the decision to acquire or hold Series 2010A Bonds or Series 2010B Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") (collectively, the "Class Exemptions") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a Series 2010A Bond or Series 2010B Bond, each purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such Series 2010A Bonds or such Series 2010B Bonds, or (ii) the purchase and holding of such Series 2010A Bonds or Series 2010B Bonds either do not constitute or result in a non-exempt Prohibited transaction under ERISA or Section 4975 of the Code, or are exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the Series 2010A Bonds or the Series 2010B Bonds.

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 "Aaa", "AA+" and "AA+," 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

Scott Balice Strategies, LLC, 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

Citigroup Global Markets Inc., as representative of the underwriters identified on the cover page of this Official Statement (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 $201,110,526.90 (being the par amount of the Bonds, plus $1,836,566.50 original issue premium, less underwriters' discount of $726,039.60).

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 stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase the Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

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 fiscal year (the "Report Date"), commencing January 31, 2012 for the Annual Disclosure Report for the fiscal year ending June 30, 2011, 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 C 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"). In the previous five years, the State has not failed to comply in any material respect with its prior undertakings pursuant to the Rule.

A failure by the State to comply with the undertaking pursuant to the Rule will not constitute a default under the Resolution (although holders of the Bonds will have any available remedy at law or in equity). 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.

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: "STATE OF ALASKA 'GENERAL PURPOSE FINANCIAL STATEMENTS' FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, Fiscal Year Ended June 30, 2009", "FORM OF BOND COUNSEL OPINION", "FORM OF CONTINUING DISCLOSURE UNDERTAKING" and "INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY".

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PRELIMINARY OFFICIAL STATEMENT

The State hereby deems this Preliminary Official Statement pursuant to SEC Rule 15c2-12 as final as of its date except for the omission of the information dependent upon the pricing of the issue, such as offering prices, interest rates, delivery date and other terms of the Bonds dependent on the foregoing matters.

EXECUTION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has 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

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APPENDIX A

STATE OF ALASKA "GENERAL PURPOSE FINANCIAL STATEMENTS" FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT, Fiscal Year Ended June 30, 2009

The annual financial report for the State contained in Appendix A hereto is historical information that presents the State's financial position as of June 30, 2009. 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. The State disclaims any intention or obligation to update the financial information. As of the date hereof, the annual financial report for the State for the fiscal year ended June 30, 2010 is not available. It is expected that the annual financial report for the State for the fiscal year ended June 30, 2010 will be released on or about December 15, 2010.

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State of Alaska

Comprehensive Annual Financial Report

For the Fiscal Year
July 1, 2008 – June 30, 2009

Prepared by:
Department of Administration
Division of Finance

The FY 2009 CAFR is expected to be available on or after December 15, 2009 on our Internet web site at http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp.

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 $21.33 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, 2009

TABLE OF CONTENTS

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

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Introductory Section

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STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

December 15, 2009

The Honorable Sean Parnell, 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, 2009. 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 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, 2009, are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR, assessing the accounting principles used, and evaluating the overall financial statement presentation.

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

Management's Discussion and Analysis (MD&A)

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

PROFILE OF THE STATE OF ALASKA

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

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

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

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

Accounting System and Budgetary Control

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

The State 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 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.

Cash and Investment Management

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 judgement 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 has become 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 a separate Constitutional Budget Reserve Fund (CBRF) into which oil tax settlement revenues are deposited. The effect of these actions diverted cash historically destined for the General Fund to other cash pools that were not available to pay day-to-day State operating costs.

Also contributing to the potential for a cash deficiency is the fact that the inflow of unrestricted revenues does not mirror the outflow of cash expenditures. Revenues 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 CBRF 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 statutory and constitutional budget reserve funds in the event expenditures exceeded revenues. In FY 93 and again in FY 96, funds were taken from the SBRF to balance revenues and expenditures. Cash was borrowed from the CBRF in FY 94, FY 95, FY 96, FY 98, FY 99, FY 00, FY 02, FY 03, FY 04, and FY 05 to balance revenues and expenditures. In FY 07, FY 08, and FY 09, $50 million, $3 billion, and $1 billion respectively, was appropriated from the General Fund to the CBRF to pay back a portion of the borrowed amount owed. As of June 30, 2009, the total amount owed to the CBRF has been fully repaid. However, the amounts transferred under article IX, section 17(d), that were appropriated back to the subfunds in FY 10 will result in a beginning liability of $401,616,586 for FY 10.

Risk Management

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

General Fund Operations

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

The table on the following page shows General Fund revenues by category for the current and previous fiscal year. Clearly, the State's major source of unrestricted revenue is related to petroleum taxes, rents, and royalties. In FY 09, petroleum revenue dropped $4.7 billion to 70 percent of all General Fund revenues. Also contributing to the decrease in revenues were income and investment losses resulting from the downturn in the national economy.

The largest source of nonpetroleum revenues is federal, which makes up 26 percent of revenues. During FY 09, Governor Palin signed the certification required to receive federal funding under the American Recovery and Reinvestment Act of 2009. Between FY 09 and FY 11, Alaska is expected to receive and expend nearly $1.2 billion in formula and competitive funding available under the Act.

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

(Stated in millions)	FY 09	Percent	FY 08
Petroleum Revenue			
Property Tax	$ 111.2	1.4%	$ 81.5
Corporate Petroleum Income Tax	528.6	6.5%	996.9
Severance Tax	3,537.0	43.2%	6,870.6
Mineral Bonuses and Rents	12.4	0.1%	11.6
Oil and Gas Royalties	1,535.3	18.7%	2,473.5
Total Petroleum Revenue	5,724.5	69.9%	10,434.1
Nonpetroleum Revenue			
Taxes	134.5	1.6%	308.2
Licenses and Permits	114.0	1.4%	114.7
Charges for Services	175.7	2.2%	178.8
Fines and Forfeitures	13.7	0.2%	18.5
Rents and Royalties	12.1	0.1%	3.9
Interest and Investment Income	(145.2)	-1.8%	446.1
Other Revenue	67.2	0.9%	144.4
Total Nonpetroleum Revenue	372.0	4.6%	1,214.6
Federal Revenue	2,088.4	25.5%	1,897.3
Total Revenues	$ 8,184.9	100.0%	$ 13,546.0

The total expenditures charged against General Fund appropriations during FY 09 amounted to $9.5 billion, an increase of $1.7 billion from FY 08. This increase is mainly attributable to the Department of Revenue for the permanent fund dividend payment plus the Alaska Resource Rebate. The Alaska Permanent Fund Dividend paid in FY 09 was $2,069/resident, a historic high, which accounted for $286.8 million of the increase. Each Alaskan resident also received $1,200 in an Alaska Resource Rebate in FY 09, which resulted in an expenditure increase of $738.8 million. Expenditures by department are compared with the prior year in the following table:

Department Expenditures (stated in millions)	FY 09	Percent	FY 08
Office of the Governor	$ 46.4	0.5%	$ 43.1
Administration	833.2	8.7%	655.1
Law	53.8	0.6%	61.7
Revenue	2,147.8	22.5%	1,104.7
Education and Early Development	1,389.4	14.5%	1,406.5
Health and Social Services	1,981.8	20.8%	1,816.2
Labor and Workforce Development	129.0	1.4%	119.3
Commerce, Community, and Economic Development	548.6	5.7%	328.3
Military and Veterans' Affairs	64.3	0.7%	69.5
Natural Resources	146.4	1.5%	138.0
Fish and Game	89.7	0.9%	81.0
Public Safety	156.8	1.6%	144.1
Environmental Conservation	167.6	1.8%	149.2
Corrections	240.4	2.5%	221.6
Transportation and Public Facilities	1,022.9	10.7%	972.1
Legislature	55.8	0.6%	50.2
Debt Service	8.3	0.1%	11.1
Alaska Court System	91.4	1.0%	92.0
University	375.0	3.9%	372.0
Total Expenditures	$ 9,548.6	100.0%	$ 7,835.7

Public Employees' and Teachers' Retirement Systems Pension Funds

Net assets at June 30, 2009 of the two largest pension funds, the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems' funds, were $8.6 billion and $3.8 billion respectively. The funding status for PERS and TRS pensions and postemployment healthcare as of the June 30, 2008, actuarial valuations indicated the actuarial accrued liabilities were 78.8 percent pensions and 29.4 percent postemployment funded for PERS, and 70.2 percent pension and 27.3 percent postemployment funded for TRS. Further information on these and other pension funds, including the Supplemental Benefits System and Deferred Compensation plans, can be found in Notes 7, 8, and 9 to the basic financial statements.

Economic Condition and Outlook

As mentioned earlier, the State's major source of revenue is petroleum related. The price of oil has had its ups and downs over the years and FY 09 was an unusually volatile year. The Department of Revenue projected a FY 09 average price of $65.70 per barrel for the Alaska North Slope West Coast price in its Spring 2009 forecast. Actual Alaska North Slope oil prices were $2.61 per barrel higher than the estimate, averaging $68.31 for the fiscal year. A record drop in crude oil prices occurred in FY 09, with Alaska North Slope West Coast crude prices dropping from a high of $133.78 per barrel in July of 2008 to $37.70 per barrel by December 2008. Oil price volatility continues as prices have almost doubled since December 2008.

With the State so dependent on petroleum revenues, the price of oil and gas is always a critical element for budgeting. After the Alaska Gasline Inducement Act was signed in June 2007, the administration initiated a competitive process to select a licensee to build the gas pipeline. On August 1, 2008, the Twenty-Fifth Legislature passed Chapter 3, 4SSLA 08 which authorizes the issuance of a license to TransCanada Alaska Company, LLC and Foothills Pipe Lines, Ltd. ExxonMobil joined the TransCanada Alaska Company AGIA project in June of 2009. TransCanada Alaska Company plans to complete an open season for the gas pipeline in July of 2010.

The method of calculating production tax revenue changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT). The tax rate structure changed again in November 2007 with the passage of the Alaska Clear and Equitable Share (ACES) legislation (Chapter 1, SSLA 07).

The decrease in petroleum revenues collected in FY 09 is attributable to lower oil prices as discussed in the MD&A and further explained in Schedule B-2 of the statistical section of this report. Nevertheless, $1 billion was appropriated from the General Fund to repay a portion of the CBRF borrowing. At the end of FY 09, the remaining available balance in the General Fund was transferred to the CBRF, which fully repaid the previous borrowing as required by Article IX, section 17(d) of the Alaska Constitution.

All State agencies are reporting program performance that describes the results of their service efforts and accomplishments. This information is available on the Office of Management and Budget web site at *www.gov.state.ak.us/omb*.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alaska for its CAFR as of and for the fiscal year ended June 30, 2008. This is the sixth year the State of Alaska has received this award on the CAFR. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports. It represents a significant accomplishment by a government and its management.

To be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which conform to GFOA standards and satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is valid for a period of one year only. We believe the CAFR for the State of Alaska as of and for the fiscal year ended June 30, 2009 conforms to the award criteria, and we are submitting it to the GFOA for review.

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,

Annette Kreitzer
Commissioner
Department of Administration

Kim J. Garnero, CPA
Director
Division of Finance

Lisa M. Pusich, CPA
State Accountant
Division of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alaska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

STATE OF ALASKA
GENERAL FUND
REVENUE SOURCES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

$8,185
(Millions)

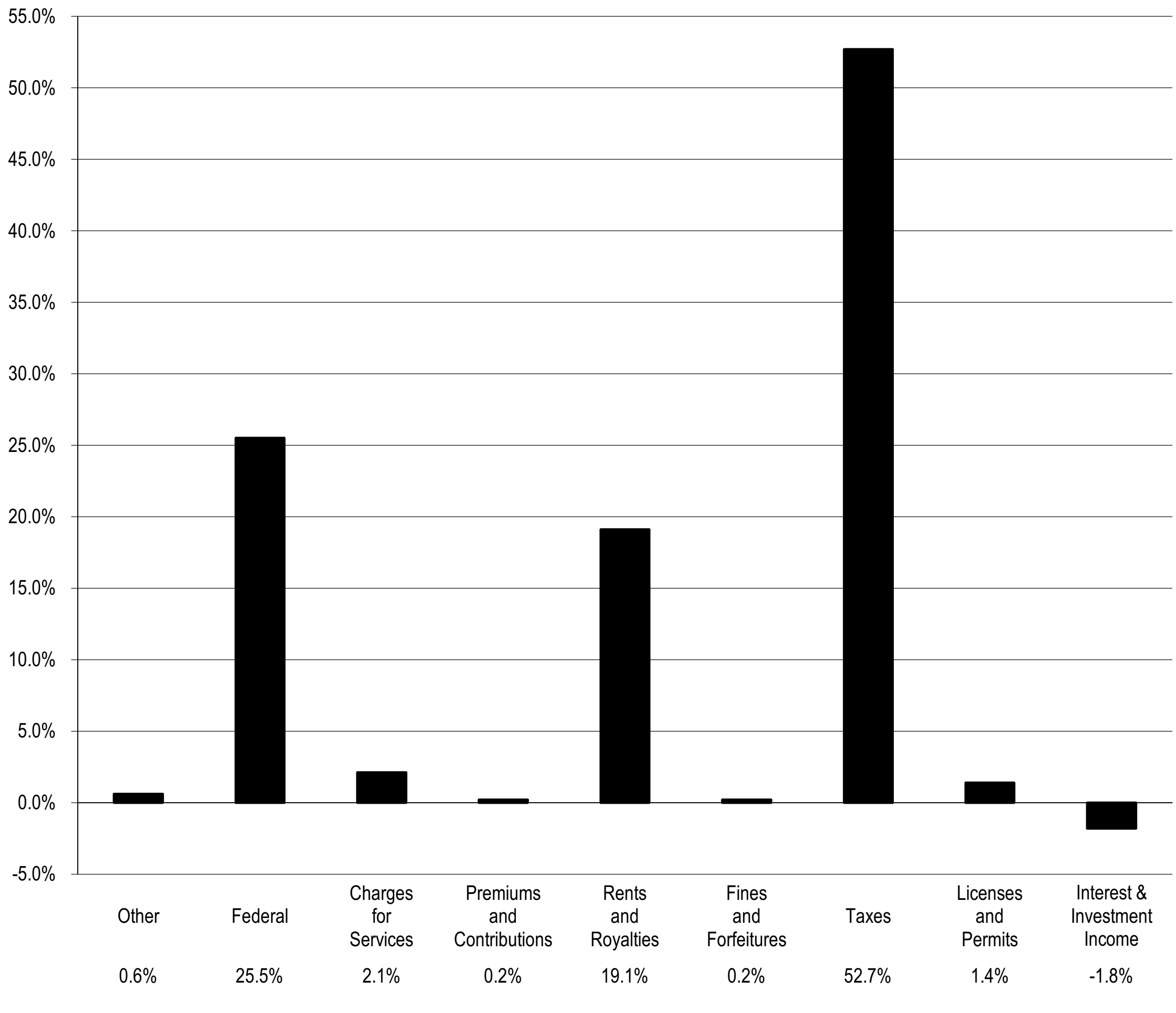
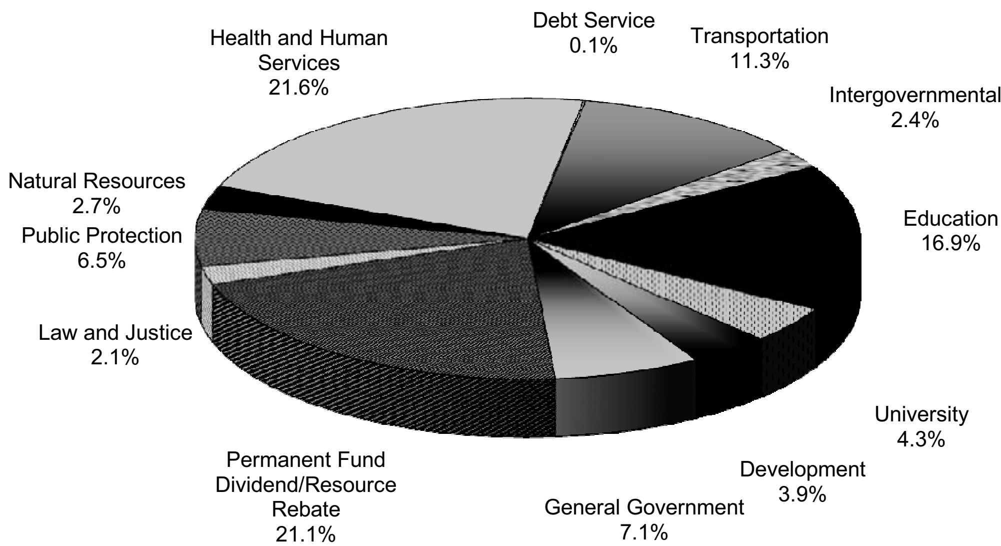


EXHIBIT 2

STATE OF ALASKA
GENERAL FUND
EXPENDITURES BY FUNCTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

$9,549
(Millions)



STATE OF ALASKA
GENERAL FUND
EXPENDITURES AND REVENUES

TEN YEAR COMPARISON
FOR THE FISCAL YEARS 2000 THROUGH 2009

(Stated in Billions)

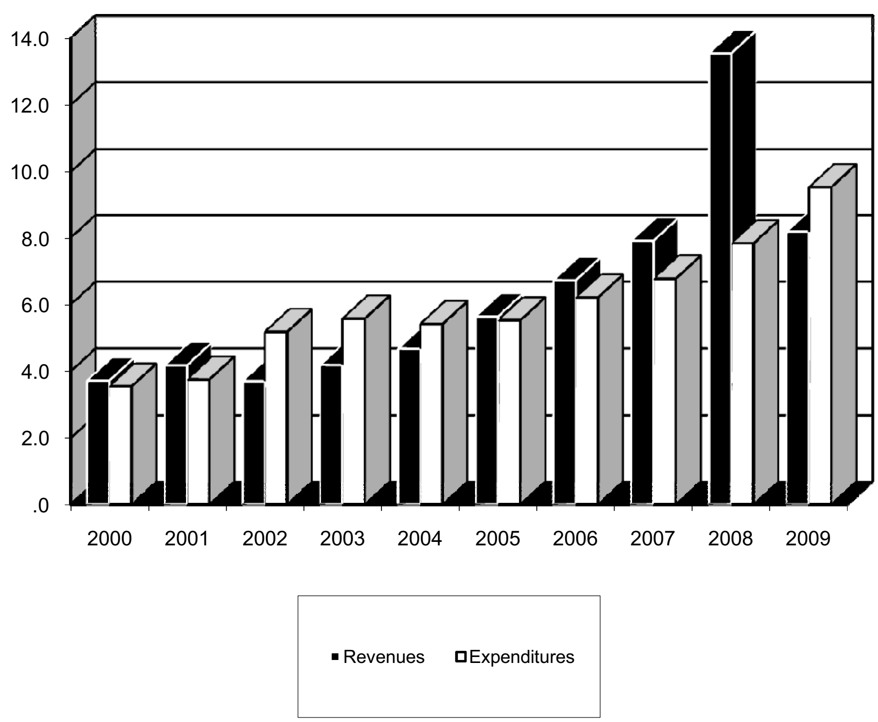
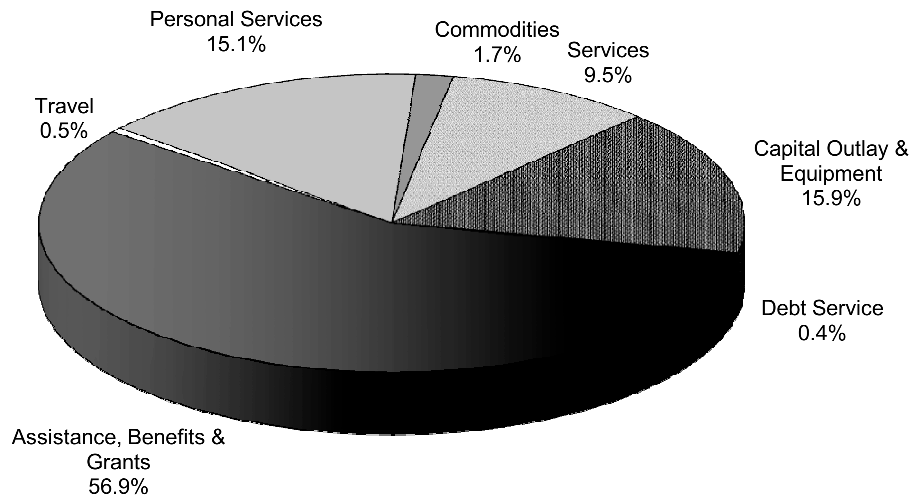


EXHIBIT 4

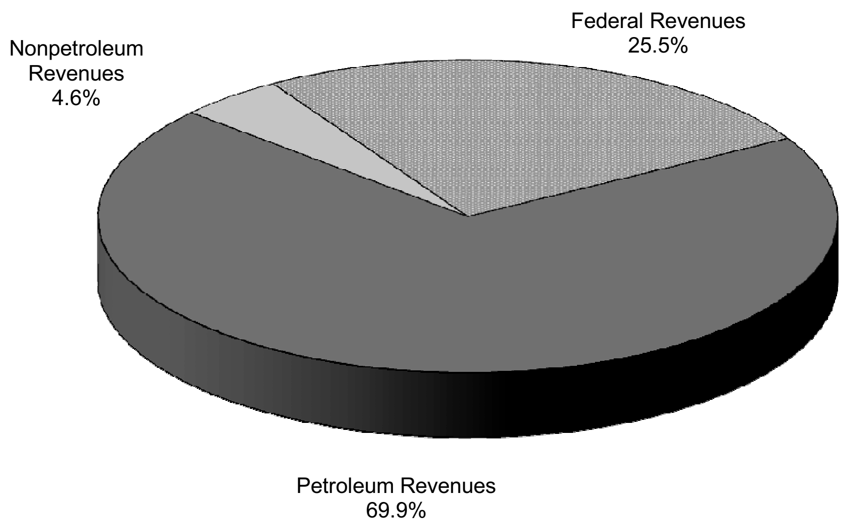
STATE OF ALASKA
GENERAL FUND
EXPENDITURES BY ACCOUNT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009



STATE OF ALASKA
GENERAL FUND
REVENUES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009



STATE OF ALASKA ORGANIZATION CHART

(As of June 30, 2009)

LEGISLATIVE BRANCH

LEGISLATURE

House of Representatives
Mike Chenault
House Speaker

Senate
Gary Stevens
Senate President

EXECUTIVE BRANCH

GOVERNOR
Sarah Palin

LIEUTENANT GOVERNOR
Sean Parnell

JUDICIAL BRANCH

ALASKA COURT SYSTEM

JUDICIAL COUNCIL

SUPREME COURT
Dana Fabe
Chief Justice

APPELLATE COURT
SUPERIOR COURT
DISTRICT COURT

ADMINISTRATION
Annette Kreitzer
Commissioner

OFFICE OF THE GOVERNOR
Mike Nizich
Chief of Staff

MILITARY AND VETERANS AFFAIRS
Major General Craig Campbell
Commissioner

COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
Emil Notti
Commissioner

FISH AND GAME
Denby Lloyd
Commissioner

NATURAL RESOURCES
Tom Irwin
Commissioner

CORRECTIONS
Joe Schmidt
Commissioner

HEALTH AND SOCIAL SERVICES
William Hogan
Commissioner

PUBLIC SAFETY
Joe Masters
Commissioner

EDUCATION AND EARLY DEVELOPMENT
Larry LeDoux
Commissioner

LABOR AND WORKFORCE DEVELOPMENT
Clark Bishop
Commissioner

REVENUE
Patrick Galvin
Commissioner

ENVIRONMENTAL CONSERVATION
Larry Hartig
Commissioner

LAW
Daniel Sullivan
Attorney General

TRANSPORTATION AND PUBLIC FACILITIES
Leo von Scheben
Commissioner

UNIVERSITY OF ALASKA
Board of Regents
Mark Hamilton
President

- - - - 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, supply, mail, managing public buildings, and leases), Risk Management, Enterprise Technology Services (telecommunications and computer services), and Retirement & Benefits (public employers, public employees and retirees).

The department also provides services to the public through the: Division of Motor Vehicles, Division of Retirement & 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 provides consumer protection through the regulation of banking, securities and corporations, insurance, professional occupations, and business licensing.

The Department assists local governments by providing technical and financial program assistance to communities as well as administering hundreds of community grants and grant programs that provide direct assistance.

The department also consists of several independent agencies, authorities, and corporations including; the Alaska Seafood Marketing Institute, Regulatory Commission of Alaska, Alaska Industrial Development and Export Authority, Alaska Energy Authority, Aerospace Development Corporation, Alaska Community Services Commission, and Alaska Railroad Corporation.

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 incarceration and appropriate rehabilitation programs for felons and misdemeanants; community residential centers; supervision and case management of probationers and parolees in the community; and oversight of 15 small community jails. Also included in the department is the Alaska Board of Parole, a quasi-judicial board 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, records and museum services, provides grants to the arts community, and provides financial aid to post-secondary students through the Alaska Commission on Postsecondary Education.

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 establishes protective standards; cleans-up and controls pollution to air, land and water; controls sanitary practices related to food, drinking water and solid waste; and enforces these controls. 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 of oil spill response equipment.

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 for the maximum benefit of the people of the state, consistent with the sustained yield principle mandated 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 overriding theme for the department's future direction is "helping individuals and families create safe and healthy communities" by strategically focusing on substance abuse, health and wellness, health care reform, long-term care and vulnerable Alaskans.

The department's primary functions include: operation of the Alaska Veterans and Pioneers Homes, support services for seniors and disabled Alaskans; child protection and family preservation services; operation of youth detention facilities and assisting offenders and their families in developing skills to prevent crime; and providing basic supports and promoting self sufficiency for vulnerable individuals who are unable to provide for themselves.

The department is committed to prevention of illness, health promotion and protection; overseeing 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; and provision of Medicaid services for low income and disabled Alaskans.

LABOR AND WORKFORCE DEVELOPMENT

The Department of Labor and Workforce Development is responsible for advancing opportunities for employment and insuring that employers provide safe and legal working conditions. The department 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 Department of Military and Veterans Affairs is responsible for the Alaska Army and Air National Guard, the Division of Homeland Security and Emergency Management, the Office of Veterans Affairs, the Alaska Military Youth Academy, and the Alaska State Defense Force and Alaska Naval Militia. The commissioner serves as the Adjutant General of the State of Alaska and exercises day to day command over the Alaska National Guard comprised of approximately 3,785 Army and Air guardsmen. The strategic mission includes the responsibility for protecting lives and property from terrorism and all other hazards, and to provide rapid recovery from all disasters through the Division of Homeland Security and Emergency Management. The department is also responsible for managing the Alaska Military Youth Academy, which is an accredited special purpose school offering the ChalleNGe and STARBASE programs to both high school and elementary school aged students. Lastly, the department serves as an advocate on issues affecting Alaska's veteran population.

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 95.4 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. Strategic missions include: develop, conserve, and enhance the natural resources of the State of Alaska; raise public awareness that Alaska's natural resources are the basic asset of our economy; stimulate and encourage resource-based, value-added economic activity while conserving Alaska's wild and scenic value; determine the potential for natural hazards that may impact people and facilities in Alaska; and maintain access to and manage the state's land records. The department also plays an instrumental role in the Alaska Gasline Inducement Act (AGIA) process, a law designed to advance construction of a natural gas pipeline from the North Slope to market.

The department serves the state from offices located in 30 Alaskan communities, and encompasses the divisions of Agriculture; Coastal and Ocean Management; Forestry; Geological and Geophysical Surveys; Mining, Land and Water; Oil & Gas; and Parks and Outdoor Recreation; the AGIA Coordinator's Office; the Office of Project Management and Permitting; the Mental Health Trust Land Office; the Joint Pipeline Office; the Citizens Advisory Commission on Federal Areas, the Natural Resources Conservation and Development Board, and the Seismic Hazards Safety Commission. The department is responsible for managing the two largest oil and gas fields in North America; a park system that contains one-third of the nation's state park lands; 40% of the nation's fresh water; fire suppression management for over 134 million acres; forest resource management in two state forests totaling 2 million acres; mineral management involving 44,335 mining claims; an agricultural program that encompasses 600-800 farms; a comprehensive archive of indigenous plant materials; and a geologic sample archive representing more than 12 million feet of resource exploration 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 prevention, search and rescue, highway safety and alcoholic beverage laws; providing forensic crime laboratory services to law enforcement statewide; certifying police proficiency; providing basic police academy and specialized training to municipal and state law enforcement agencies; oversight of the Village Public Safety Officer Program; and assisting victims of domestic violence and sexual assault.

REVENUE

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, Alaska Natural Gas Development Authority, 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 approximately 260 state-owned airports and seaplane bases, 5,600 miles of state roads, 700 buildings ranging from maintenance shops to state office complexes, and 25 ports and harbors. In addition, the department owns and operates the Alaska Marine Highway System, serving 32 Alaskan communities with connections to Bellingham, WA and Prince Rupert, BC. The department also owns and operates the State Equipment Fleet, which provides full maintenance support and replacement activities of 7,960 light- and heavy-duty vehicles and attachments for state departments, agencies and offices.

ALASKA STATE LEGISLATURE
Twenty-Sixth Legislature, First Session (2009)

Senate District	Senator (Party)	City	House District	Representative (Party)	City
A	Bert Stedman (R)	Sitka	1 2	Kyle Johansen (R) Peggy Wilson (R)	Ketchikan Wrangell
B	Dennis Egan (D)	Juneau	3 4	Beth Kerttula (D) Cathy Engstrom Munoz (R)	Juneau Juneau
C	Albert Kookesh (D)	Angoon	5 6	William “Bill” Thomas, Jr. (R) Woodie Salmon (D)	Haines Beaver
D	Joe Thomas (D)	Fairbanks	7 8	Michael “Mike” Kelly (R) David Guttenberg (D)	Fairbanks Fairbanks
E	Joe Paskvan (R)	Fairbanks	9 10	Scott Kawasaki (D) Jay Ramras (R)	Fairbanks Fairbanks
F	Gene Therriault (R)	North Pole	11 12	John Coghill, Jr. (R) John Harris (R)	North Pole Valdez
G	Linda K. Menard (R)	Wasilla	13 14	Carl Gatto (R) Wes Keller (R)	Palmer Wasilla
H	Charlie Huggins (R)	Wasilla	15 16	Mark Neuman (R) Bill Stoltze (R)	Wasilla Chugiak/Mats
I	Fred Dyson (R)	Eagle River	17 18	Anna Fairclough (R) Nancy Dahlstrom (R)	Eagle River Anchorage
J	Bill Wielechowski (D)	Anchorage	19 20	James ‘Pete’ Peterson (D) Max Gruenberg (D)	Anchorage Anchorage
K	Bettye Davis (D)	Anchorage	21 22	Harry Crawford (D) Sharon Cissna (D)	Anchorage Anchorage
L	Johnny Ellis (D)	Anchorage	23 24	Les Gara (D) Berta Gardner (D)	Anchorage Anchorage
M	Hollis French (D)	Anchorage	25 26	Mike Doogan (D) Lindsey Holmes (D)	Anchorage Anchorage
N	Lesil McGuire (R)	Anchorage	27 28	Robert Buch (D) Craig Johnson (R)	Anchorage Anchorage
O	Kevin Meyer (R)	Anchorage	29 30	Chris Tuck (D) Charisse E. Millett (R)	Anchorage Anchorage
P	Con Bunde (R)	Anchorage	31 32	Bob Lynn (R) Mike Hawker (R)	Anchorage Anchorage
Q	Thomas Wagoner (R)	Kenai	33 34	Kurt Olson (R) Mike Chenault (R)	Soldotna Nikiski
R	Gary Stevens (R)	Kodiak	35 36	Paul Seaton (R) Alan Austerman (R)	Homer Kodiak
S	Lyman Hoffman (D)	Bethel	37 38	Bryce Edgmon (D) Bob Herron (D)	Dillingham Bethel
T	Donald Olson (D)	Nome	39 40	Richard Foster (D) Reggie Joule (D)	Nome Kotzebue

LEADERSHIP

STATE SENATE
Gary Stevens, Senate President

HOUSE OF REPRESENTATIVES
Mike Chenault, House Speaker

FINANCE COMMITTEES

STATE SENATE
Lyman Hoffman, Co-Chair
Bert Stedman, Co-Chair

Members:
Dennis Egan, Johnny Ellis,
Charlie Huggins, Donald Olson,
and Joe Thomas

HOUSE OF REPRESENTATIVES
Mike Hawker, Co-Chair
Bill Stoltze, Co-Chair
Bill Thomas, Jr, Vice-Chair

Members:
Alan Austerman, Harry Crawford,
Anna Fairclough, Les Gara, Reggie Joule,
Mike Kelly, and Woodie Salmon

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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
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Independent Auditor's Report

Citizens of the State of Alaska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of and for the year ended June 30, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Alaska's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Alaska Permanent Fund, the Fiduciary Funds – Pension and Other Employee Benefit Trust Funds, and one Discretely Presented Component unit: Alaska Mental Health Trust Authority. Those financial statements reflect total assets, net assets and revenues of the indicated opinion units:

Opinion Unit	Percent of Assets	Percent of Net Assets/ Fund Balance	Percent of Revenues
Governmental Activities	61%	60%	-195%
Aggregate Discretely Presented Component Units	4%	8%	-4%
Major Funds:			
Alaska Permanent Fund	100%	100%	100%
Aggregate Remaining Fund Information:			
Fiduciary Funds	86%	88%	135%

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alaska, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Pat Davidson

Pat Davidson, CPA
Legislative Auditor

December 11, 2009

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, 2009. 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 of the State exceeded its liabilities at the close of FY 09 by $51.7 billion (net assets). Of this amount, $6.0 billion is invested in capital assets, $30.7 billion is restricted for various purposes, and unrestricted net assets are $15.0 billion. Unrestricted net assets may be used to meet the State's ongoing obligations to citizens and creditors.
- The State's total net assets decreased by $5.9 billion as a result of this year's operations and restatements. This decrease is primarily attributable to lower tax revenue from petroleum production and interest and investment losses.

Fund level

- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of $45.4 billion, with $14.3 billion unreserved fund balance and a fund balance reserved for specific purposes of $31.1 billion. The Alaska Permanent Fund principal is $29.5 billion of the reserved fund balance with the remainder reserved for encumbrances, nonliquid assets, debt, and other purposes.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was a surplus of $13.2 billion. This is a decrease of $494.9 million from FY 08. The decline is mainly attributable to lower petroleum tax revenue and investment losses.

Long-term debt

- As a result of this year's activity and restatements, the State's total long-term debt increased by $346 million (15 percent). The key factors in this increase include general obligation bonds and capital leases. The State of Alaska issued new general obligation bonds during FY 09. The capital lease increase is related to the addition of the Goose Creek Correctional Center. There was an offsetting decrease in debt attributable to the write-off of the net pension and other postemployment benefit obligations that were previously recorded. The Public Employees' Retirement System changed from an agent multiple-employer to a cost-sharing multiple-employer plan. This is reported as a special item on the government-wide financial statements. See Note 7 for additional information on this change.

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

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

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

- Governmental Activities – Most of the State's basic services are reported in this category. Governmental activities are principally supported by taxes and intergovernmental revenues. The Legislature, the Judiciary, and the general operations of the Executive departments fall within the governmental activities.
- Business-type Activities – The State charges fees to customers to help it cover all or most of the cost of certain services it provides. The State's International Airports Fund, the various loan funds, and the Unemployment Compensation fund are examples of business-type activities.
- Discretely Presented Component Units – Component units are legally separate organizations for which the State is financially accountable. The State has one university and 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, and construction in progress) used in governmental activities are not reported in governmental fund statements.
- Internal service funds are reported as governmental activities in the government-wide financial statements, but are reported as proprietary funds in the fund financial statements.
- Certain revenues, unavailable to pay for current period expenditures, are not reported in the governmental fund statements.
- Unless due and payable in the current period, certain long-term liabilities such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.
- Capital outlay spending results in capital assets in the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities in the government-wide statements, but are recorded as other financing sources in the governmental fund statements.

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

The fund financial statements are statement numbers 1.11 through 1.42 and provide detailed information about the major individual funds. The State has four major funds, the General Fund, the Alaska Permanent Fund, which are included in the governmental fund statements, and the International Airports Fund and Unemployment Compensation Fund, which are 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 95.9 percent of total government-wide cash and investments and 85.6 percent of total government-wide net assets (excluding component units). The governmental funds financial statements present detail on each of these funds, with summarized information on all other governmental funds. In addition, detail for each of the nonmajor governmental funds is available in combining statements elsewhere in this report.

The State's main operating fund is the General Fund. However, the State maintains many accounts and subfunds within the General Fund, including the Constitutional 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 and the Unemployment Compensation Fund are major enterprise funds of the State of Alaska. The International Airports Fund is 9.1 percent of total government-wide liabilities (excluding component units). The Unemployment Compensation Fund is 6.1 percent of the government-wide total revenues (excluding component units). The proprietary funds financial statements present detail on these funds with summarized information on all other proprietary funds. In addition, detail for each of the nonmajor proprietary funds is provided in the combining statements elsewhere in this report.

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

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

Notes to the 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

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

Other Supplementary Information

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

Government-wide Financial Analysis

As noted earlier, net assets should serve over time as a useful indicator of a government's financial position. State assets exceeded liabilities by $51.7 billion at the close of the most recent fiscal year (see table below). By far the largest portion of the State's net assets (58 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 ($29.5 billion) may not be spent.

The remainder of the State's net assets (42 percent) represents amounts invested in capital assets net of related debt ($6.0 billion), resources that are subject to external restrictions of how they may be used ($1.2 billion), and unrestricted net assets of $15.0 billion, of which $420 million is within the Alaska Permanent Fund.

Net Assets
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
Current and Other Noncurrent Assets	$ 50,338	$ 56,162	$ 1,188	$ 1,273	$ 51,526	$ 57,435
Capital Assets	6,063	5,555	1,173	1,055	7,236	6,610
Total Assets	56,401	61,717	2,361	2,328	58,762	64,045
Long-term Liabilities	2,024	1,641	593	629	2,617	2,270
Other Liabilities	4,451	4,193	22	21	4,473	4,214
Total Liabilities	6,475	5,834	615	650	7,090	6,484
Net Assets:						
Invested in Capital Assets, Net of Related Debt	5,293	5,064	706	678	5,999	5,742
Restricted	30,008	31,421	712	689	30,720	32,110
Unrestricted	14,625	19,398	328	311	14,953	19,709
Total Net Assets	$ 49,926	$ 55,883	$ 1,746	$ 1,678	$ 51,672	$ 57,561

The net assets of governmental activities decreased $5,957 million and business-type activities increased $68 million as a result of this year's operations and restatements. The decrease for governmental activities is primarily due to lower petroleum revenues and interest and investment losses. The increase in business-type activities is due to the increase in buildings and infrastructure of the International Airports Fund.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during FY 09.

Changes in Net Assets
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
Revenues						
Program Revenues						
Charges for Services	$ 2,629	$ 3,709	$ 286	$ 279	$ 2,915	$ 3,988
Operating Grants	1,489	1,355	19	21	1,508	1,376
Capital Grants	634	613	79	84	713	697
General Revenues						
Taxes	4,335	8,281	-	-	4,335	8,281
Interest and Investment Income/(Loss)	(6,461)	(910)	(11)	-	(6,472)	(910)
Payments In from Component Units	26	115	-	-	26	115
Other Revenues	129	60	6	-	135	60
Total Revenues	2,781	13,223	379	384	3,160	13,607
Expenses						
General Government	515	520	-	-	515	520
Alaska Permanent Fund Dividend	2,016	990	-	-	2,016	990
Education and University	2,058	2,088	-	-	2,058	2,088
Health and Human Services	2,068	1,870	-	-	2,068	1,870
Law and Justice	270	213	-	-	270	213
Public Protection	609	584	-	-	609	584
Natural Resources	295	294	-	-	295	294
Development	386	248	2	5	388	253
Transportation	960	953	-	-	960	953
Intergovernmental	232	130	-	-	232	130
Debt Service	43	44	-	-	43	44
Loans	-	-	4	10	4	10
Unemployment Compensation	-	-	200	122	200	122
Airports	-	-	117	112	117	112
Total Expenses	9,452	7,934	323	249	9,775	8,183
Excess (Deficiency) of Revenues						
Over Expenditures	(6,671)	5,289	56	135	(6,615)	5,424
Transfers	(14)	(1)	14	1	-	-
Special Items NPO/OPEB Writeoff	126	-	4	-	130	-
Change in Net Assets	(6,559)	5,288	74	136	(6,485)	5,424
Net Assets - Beginning of Year	55,883	50,595	1,678	1,542	57,561	52,137
Prior Period Adjustment	(2)	-	(4)	-	(6)	-
Changes in Accounting Principles	604	-	(2)	-	602	-
Net Assets - End of Year	$49,926	$55,883	$ 1,746	$ 1,678	$51,672	$ 57,561

Financial Analysis of the State's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $45.4 billion, a decrease of $6.1 billion in comparison with the prior year. This decrease is a combination of the Alaska Permanent Fund investment losses and the decrease within the General Fund from petroleum taxes. The unreserved fund balance, which is available for spending at the government's discretion, was a balance of $14.3 billion, consisting of $13.2 billion in the General Fund, $420 million in the Alaska Permanent Fund (earnings reserve account), $421 million in special revenue funds, and $214 million in other governmental funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for the Alaska Permanent Fund ($29.5 billion), 2) to liquidate contracts and purchase orders of the prior period ($964 million), or 3) for a variety of other restricted purposes ($624 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was $13.2 billion, while total fund balance reached $14.3 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 138 percent of total General Fund expenditures, while total fund balance represents 150 percent of that same amount.

The fund balance of the State's General Fund decreased by $292 million during the current fiscal year. The key factor in this decrease is lower oil prices. There was no appropriated borrowing from the Constitutional Budget Reserve Fund during the fiscal year, and $1 billion owed to the Constitutional Budget Reserve Fund was repaid by appropriated transfers from the General Fund. In addition, the year-end repayment of the Constitutional Budget Reserve Fund per Alaska's Constitution amounted to $617.5 million. As of June 30, 2009, the balance owed by the General Fund to the Constitutional Budget Reserve Fund was completely repaid.

General Fund revenues for FY 09 were $8.2 billion, a decrease of $5.4 billion compared to revenues of $13.6 billion for FY 08. Revenues by source for FY 09 are compared to FY 08 in the following schedule (in millions):

Revenue Source	FY 09	Percent	FY 08	Percent
Taxes	$ 4,311.3	52.7%	$ 8,257.2	60.9%
Rents and Royalties	1,559.8	19.1%	2,489.0	18.4%
Interest and Investment Income	(145.2)	-1.8%	446.1	3.3%
Federal	2,088.4	25.5%	1,897.3	14.0%
Miscellaneous	370.6	4.5%	456.4	3.4%
Total Revenue	$ 8,184.9	100.0%	$ 13,546.0	100.0%

The primary components of this revenue decrease are petroleum-related taxes ($3,772 million), and reductions in oil and gas rents and royalties ($937 million).

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.

- **Reserved Fund Balances:** The reserved fund balances, or principal, include all historical contributions and appropriations, which are the main body of the fund. At June 30, 2009, this amounted to $30.9 billion. The sources of contributions and appropriations of the fund, since inception, were as follows: $11.2 billion in dedicated mineral revenues; $12.7 billion of fund realized earnings transferred to principal for inflation proofing; and $7.0 billion in additional deposits approved by special legislative appropriation.

  A portion of accumulated unrealized appreciation on invested assets is also part of the reserved fund balances (see 2009 Attorney General Opinion, June 16; AG file number: JU 2009-200-509). The portion of the unrealized appreciation at the end of the fiscal year allocated to principal amounted to $1.4 billion.

- **Unreserved Fund Balances:** The unreserved fund balances, which are available for legislative appropriation, consist of the realized earnings of the fund and a portion of accumulated unrealized appreciation. From inception through June 30, 2009, realized earnings have amounted to $35.4 billion. Of this amount $17.5 billion has been paid out for dividends, $12.7 billion has been transferred to principal for inflation proofing, $4.3 billion has been added to principal by special appropriation, $0.4 billion has been paid out to the General Fund, and $0.5 billion remains in the fund at June 30, 2009 in the realized earnings account. The portion of the unrealized appreciation at the end of the fiscal year allocated to the unreserved fund balance amounted to $(.02) billion.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a $2.6 billion increase in appropriations (or 16.8 percent) and can be briefly summarized as follows:

- $1,077.6 million allocated to education
- $757.0 million allocated to Alaska Permanent Fund Dividend
- $755.7 million allocated to transportation
- $213.1 million allocated to development
- $519.7 million decrease to general government
- The balance is allocated across several expenditure functions.

Of this overall increase in appropriated expenditures, $408.2 million was to be funded out of an increase in interagency receipts, which reflect transfers between appropriations, $945.5 was to be funded out of an increase in federal grants in aid, with the balance coming from other financing sources.

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 and Alaska Permanent Fund Dividend are 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 increase related to the Alaska Permanent Fund Dividend is due to the Alaska Resource Rebate program which was included as a supplemental budget item. Further explanation of this program is included within the economic factors section.

Capital Assets and Debt Administration

Capital assets. The State's investment (net of related debt) in capital assets for its governmental and business-type activities as of June 30, 2009, amounts to $6.0 billion. The table below displays total capital assets, net of accumulated depreciation. Depreciation charges for FY 09 totaled $331 million for governmental activities and $44 million for business-type activities.

Capital Assets
(net of depreciation, in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
Land	$ 797	$ 754	$ 30	$ 30	$ 827	$ 784
Buildings	1,080	808	547	449	1,627	1,257
Equipment	447	411	25	17	472	428
Infrastructure	2,370	2,210	342	317	2,712	2,527
Construction in Progress	1,369	1,372	229	242	1,598	1,614
Total Capital Assets	$ 6,063	$ 5,555	$ 1,173	$ 1,055	$ 7,236	$ 6,610

In FY 09, buildings and infrastructure increased $370 million and $185 million respectively. The capital budget has substantially increased for the past three fiscal years, the increases during the year are a direct result of these budgetary increases. 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 $1,533 million. Of this amount, $520 million was general obligation bonds, and $1,013 million of revenue bonds payable comprised of $372 million issued by the Northern Tobacco Securitization Corporation (NTSC), $58 million of sport fishing revenue bonds, and $583 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 $583 million are International Airports revenue bonds secured solely by specified revenue sources. The general obligation, NTSC, and sport fishing bonds are reported as governmental activities debt, and the International Airports bonds are reported as business-type activities debt.

Long-term Debt
(Stated in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
Revenue Bonds Payable	$ 430	$ 443	$ 583	$ 618	$ 1,013	$ 1,061
General Obligation Debt	520	376	-	-	520	376
Capital Leases Payable	411	172	-	-	411	172
Deferred Revenues and Advances	286	261	4	5	290	266
Certificates of Participation	52	57	-	-	52	57
Compensated Absences	144	132	4	-	148	132
Claims and Judgments	135	61	-	-	135	61
Pollution Remediation	43	-	1	-	44	-
Other Noncurrent Liabilities	3	1	1	3	4	4
Net Pension Obligation	-	138	-	4	-	142
Total	$ 2,024	$ 1,641	$ 593	$ 630	$ 2,617	$ 2,271

The State's total debt increased by $346 million (15 percent) as a result of this year's operations and restatements. The increase is mainly attributable to capital leases related to the Goose Creek Correctional Center, and the issuance of additional general obligation bonds.

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

Significant Facts

FY 09 marks a milestone in the relationship between the General Fund and one of its important components, the Constitutional Budget Reserve Fund (CBRF). The long-term borrowing from the CBRF by the General Fund was fully repaid with the available balance of the General Fund at the end of FY 09. This fact is reflected by the positive unreserved, undesignated fund balance for the "General and all Other Subfunds" in statement 3.01, as well as in Note 2.

State revenues dropped dramatically from FY 08 to FY 09 primarily as a result of a historic drop in oil prices. The weighted average production tax rate was cut in half, falling from 40 percent in FY 08 to 20 percent in FY 09. This rate was applied to wellhead value of $62.02 per barrel, a substantial decrease from the $84.45 per barrel average realized in FY 08.

Another significant factor affecting revenues was a decrease of $5.6 billion in interest and investment income between FY 08 and FY 09. The majority of this amount is from losses incurred by the Alaska Permanent Fund. The fund experienced a negative 18% total rate of return in FY 2009, the largest negative return in its history.

During FY 09, Governor Palin signed the certification required to receive federal funding under the American Recovery and Reinvestment Act of 2009. Between FY 09 and FY 11, Alaska is expected to receive and expend nearly $1.2 billion in formula and competitive funding available under the Act.

Economic Factors and Next Year's Budgets and Rates

- The State's average unemployment rate for FY 09 was 7.6 percent, which is higher than the average unemployment rate for FY 08 of 6.4 percent. Alaska's five year average (2005 to 2009) was 6.8 percent. The United States unemployment rate for FY 09 was 7.9 percent.

- The State's major source of unrestricted revenue for the General Fund is petroleum related, which accounted for 70 percent of total revenue, with federal revenue making up another 26 percent, and the balance coming from other sources. As a result, the State's budget is structured around these two revenue sources. During the fiscal year, oil production and the price per barrel declined, resulting in lower tax rates and ultimate decrease of $4.7 billion in petroleum revenues. Federal funds are generally restricted for use in federal programs and therefore do not provide resources for balancing the State budget.

- FY 09 crude oil and natural gas liquids production for the Alaska North Slope and Cook Inlet averaged 699 thousand barrels per day. This is 28 thousand barrels per day less than in the prior year. FY 09 production, compared to peak production of 2.049 million barrels per day in FY 88, has declined by 66 percent.

- The State of Alaska FY 09 budgeted expenditures include certain items that are unique to Alaska, such as the Alaska Permanent Fund Dividend, the Alaska Resource Rebate, and State-operated Pioneer Homes. The Alaska Permanent Fund Dividend ($2,069/resident, a historic high in FY 09) and the Alaska Resource Rebate ($1,200/resident) were paid to each qualifying Alaskan for a total of $2,016 million. The Alaska Resource Rebate was a one-time payment to each resident for a total amount of $738.8 million in FY 09.

Requests for Information

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

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Basic Financial Statements

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STATE OF ALASKA **STATEMENT 1.01**
Statement of Net Assets
Government-wide
June 30, 2009
(Stated in Thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and Investments	$ 45,962,593	$ 670,770	$ 46,633,363	$ 2,100,970
Accounts Receivable - Net	1,431,435	20,915	1,452,350	52,569
Interest and Dividends Receivable	174,524	28,504	203,028	40,152
Internal Balances	44,699	(44,699)	-	-
Due from Primary Government	-	-	-	37,688
Due from Component Units	11,385	-	11,385	2,054
Due from Other Governments	558,631	14,786	573,417	46,371
Loans, Notes, and Bonds Receivable	19,909	335,496	355,405	4,296,124
Inventories	18,481	-	18,481	26,173
Repossessed Property	-	944	944	300
Net Investment in Direct Financing Leases	-	-	-	325,025
Investments in Projects, Partnerships, or Corporations	-	3,658	3,658	83,428
Securities Lending Collateral	2,084,425	-	2,084,425	22,702
Restricted Assets	7,269	154,613	161,882	1,717,565
Other Assets	24,873	3,404	28,277	98,482
Capital Assets:				
Equipment, Net of Depreciation	447,631	25,348	472,979	262,794
Buildings, Net of Depreciation	1,079,862	546,812	1,626,674	688,569
Infrastructure, Net of Depreciation	2,369,664	341,925	2,711,589	769,735
Land	797,245	29,738	826,983	73,585
Construction in Progress	1,368,758	228,697	1,597,455	197,460
Total Assets	56,401,384	2,360,911	58,762,295	10,841,746
LIABILITIES				
Accounts Payable and Accrued Liabilities	2,347,480	8,401	2,355,881	136,749
Obligations Under Securities Lending	2,084,425	-	2,084,425	22,702
Due to Primary Government	-	-	-	20,818
Due to Component Units	8,367	-	8,367	1,852
Due to Other Governments	120	4,252	4,372	798
Interest Payable	10,835	7,269	18,104	27,788
Other Current Liabilities	5	1,860	1,865	200,880
Long-term Liabilities:				
Portion Due or Payable Within One Year:				
Claims, Judgments, Compensated Absences and Pollution Remediation	225,994	3,471	229,465	3,559
Unearned and Deferred Revenue	262,744	3,602	266,346	13,227
Notes, Bonds, and Leases Payable	59,500	6,085	65,585	189,587
Other Long-term Debt	-	-	-	2,590
Other Noncurrent Liabilities	2,582	-	2,582	2,303
Portion Due or Payable After One Year:				
Claims, Judgments, Compensated Absences and Pollution Remediation	96,201	2,392	98,593	33,079
Unearned and Deferred Revenue	23,075	-	23,075	449,874
Notes, Bonds, and Leases Payable	1,352,956	576,808	1,929,764	4,418,203
Other Long-term Debt	-	-	-	8,373
Other Noncurrent Liabilities	674	524	1,198	16,610
Total Liabilities	6,474,958	614,664	7,089,622	5,548,992
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,293,353	706,236	5,999,589	1,294,086
Restricted for:				
Permanent Funds				
Nonexpendable	29,824,502	-	29,824,502	308,157
Expendable	6,334	-	6,334	84,778
Education	16,511	-	16,511	301,877
Conservation, Environment, and Natural Resources	31,264	-	31,264	-
Unemployment Compensation	-	330,237	330,237	-
Health and Human Services	-	351,694	351,694	-
Debt Service	41,548	22,869	64,417	692,164
Other Purposes	87,780	7,550	95,330	103,388
Unrestricted	14,625,134	327,661	14,952,795	2,508,304
Total Net Assets	$ 49,926,426	$ 1,746,247	$ 51,672,673	$ 5,292,754

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

STATE OF ALASKA **STATEMENT 1.02**
Statement of Activities
Government-wide
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

		Program Revenues		
	Expenses	Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government	$ 515,981	$ 10,148	$ 35,456	$ 2,570
Alaska Permanent Fund Dividend/Resource Rebate	2,015,974	-	-	-
Education	1,647,531	3,045	137,680	1,272
University	410,805	15	173	-
Health and Human Services	2,067,733	41,375	1,020,658	58,823
Law and Justice	270,299	19,485	20,404	310
Public Protection	609,253	158,994	64,447	10,773
Natural Resources	295,183	2,322,398	76,913	25,698
Development	386,298	16,634	84,235	217
Transportation	959,586	57,306	16,465	520,943
Intergovernmental Revenue Sharing	231,574	-	31,125	-
Debt Service	42,662	-	1,226	13,055
Total Governmental Activities	9,452,879	2,629,400	1,488,782	633,661
Business-type Activities:				
Loans	3,514	11,818	1,358	19,311
Unemployment Compensation	199,792	178,073	15,888	-
Airports	117,499	95,244	1,133	56,481
Development	2,062	1,034	736	2,928
Total Business-type Activities	322,867	286,169	19,115	78,720
Total Primary Government	$ 9,775,746	$ 2,915,569	$ 1,507,897	$ 712,381
Component Units:				
University of Alaska	$ 768,958	$ 157,813	$ 218,672	$ 3,851
Alaska Housing Finance Corporation	349,417	213,715	53,057	59,530
Alaska Industrial Development and Export Authority	47,516	46,901	261	5,129
Nonmajor Component Units	459,576	220,307	61,562	(4,308)
Total Component Units	$ 1,625,467	$ 638,736	$ 333,552	$ 64,202

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
Special Items:
Pension Obligation and Other Post Employment
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Changes in Accounting Principles
Net Assets - End of Year

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

STATEMENT 1.02

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (467,807)	$	$ (467,807)	$
(2,015,974)		(2,015,974)	
(1,505,534)		(1,505,534)	
(410,617)		(410,617)	
(946,877)		(946,877)	
(230,100)		(230,100)	
(375,039)		(375,039)	
2,129,826		2,129,826	
(285,212)		(285,212)	
(364,872)		(364,872)	
(200,449)		(200,449)	
(28,381)		(28,381)	
(4,701,036)		(4,701,036)	
	28,973	28,973	
	(5,831)	(5,831)	
	35,359	35,359	
	2,636	2,636	
	61,137	61,137	
(4,701,036)	61,137	(4,639,899)	
			(388,622)
			(23,115)
			4,775
			(182,015)
			(588,977)
3,345,993	-	3,345,993	9,016
235,121	-	235,121	-
632,123	-	632,123	-
111,251	-	111,251	-
10,225	-	10,225	-
(6,460,729)	(11,037)	(6,471,766)	(32,678)
37,349	-	37,349	-
26,392	53	26,445	43,177
-	-	-	481,753
91,857	5,562	97,419	9,589
(14,032)	14,032	-	-
126,393	3,972	130,365	33,245
(1,858,057)	12,582	(1,845,475)	544,102
(6,559,093)	73,719	(6,485,374)	(44,875)
55,883,483	1,677,731	57,561,214	5,328,124
(2,186)	(3,685)	(5,871)	2,186
604,222	(1,518)	602,704	7,319
$ 49,926,426	$ 1,746,247	$ 51,672,673	$ 5,292,754

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Governmental Funds Financial Statements

MAJOR FUNDS

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

Alaska Permanent Fund – Alaska Constitution, Article IX, Section 15 – Administered by the Alaska Permanent Fund Corporation. The Alaska Constitution provides that at least 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 nonmajor governmental funds are presented by fund type in the Combining Fund Statements.

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STATE OF ALASKA **STATEMENT 1.11**
Balance Sheet
Governmental Funds
June 30, 2009
(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 13,074,533	$ 31,647,812	$ 1,143,250	$ 45,865,595
Accounts Receivable - Net	808,106	592,213	3,504	1,403,823
Interest and Dividends Receivable	63,475	109,166	1,883	174,524
Due from Other Funds	974,609	-	3,699	978,308
Due from Component Units	11,380	-	5	11,385
Due from Other Governments	553,225	-	5,347	558,572
Loans, Notes, and Bonds Receivable	19,831	-	78	19,909
Inventories	15,303	-	-	15,303
Securities Lending Collateral	-	2,084,425	-	2,084,425
Other Assets	15,414	-	45	15,459
Total Assets	$ 15,535,876	$ 34,433,616	$ 1,157,811	$ 51,127,303
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 740,977	$ 1,576,478	$ 12,098	$ 2,329,553
Obligations Under Securities Lending	-	2,084,425	-	2,084,425
Due to Other Funds	36,252	856,644	21,514	914,410
Due to Component Units	8,295	-	72	8,367
Due to Other Governments	120	-	-	120
Unearned and Deferred Revenue	424,681	-	1,785	426,466
Other Liabilities	1,315	-	354	1,669
Total Liabilities	1,211,640	4,517,547	35,823	5,765,010
Fund Balances:				
Reserved:				
Encumbrances	855,195	-	108,987	964,182
Nonliquid Assets	221,129	-	-	221,129
Debt Service	-	-	48,857	48,857
Other Purposes	25,033	29,496,085	329,267	29,850,385
Unreserved:				
General Fund	13,222,879	-	-	13,222,879
Special Revenue Funds	-	-	420,993	420,993
Capital Projects Funds	-	-	207,550	207,550
Permanent Funds	-	419,984	6,334	426,318
Total Fund Balances	14,324,236	29,916,069	1,121,988	45,362,293
Total Liabilities and Fund Balances	$ 15,535,876	$ 34,433,616	$ 1,157,811	$ 51,127,303

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

STATE OF ALASKA **STATEMENT 1.12**
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2009
(Stated in Thousands)

Total Fund Balances - Governmental Funds		$ 45,362,293
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Note 5) These assets consist of:		
Equipment, net of depreciation	293,700	
Buildings, net of depreciation	985,681	
Infrastructure, net of depreciation	2,369,664	
Land	797,245	
Construction in progress	1,358,360	
		5,804,650
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. (See Statement 1.21)		354,125
Certain revenues are not available to pay for the current period's expenditures and therefore are not reported in the funds.		141,821
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	(135,345)	
Compensated absences	(140,594)	
Pollution remediation	(43,130)	
Capital lease obligations	(410,846)	
		(729,915)
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	(1,001,610)	
Unamortized costs of issuance	5,897	
Accrued interest payable	(10,835)	
		(1,006,548)
Net Assets of Governmental Activities		$ 49,926,426

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

STATE OF ALASKA **STATEMENT 1.13**
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	General Fund	Alaska Permanent Fund	Nonmajor Funds	Total Governmental Funds
REVENUES				
Taxes	$ 4,311,323	$ -	$ 23,127	$ 4,334,450
Licenses and Permits	113,988	-	32,472	146,460
Charges for Services	175,723	-	587	176,310
Fines and Forfeitures	13,678	-	628	14,306
Rents and Royalties	1,559,849	651,435	25,935	2,237,219
Premiums and Contributions	16,595	-	12,211	28,806
Interest and Investment Income	(145,218)	(6,326,571)	(8,703)	(6,480,492)
Federal Grants in Aid	2,088,385	-	30,724	2,119,109
Payments In from Component Units	26,392	-	-	26,392
Other Revenues	24,263	-	36,829	61,092
Total Revenues	8,184,978	(5,675,136)	153,810	2,663,652
EXPENDITURES				
Current:				
General Government	677,541	61,293	1,787	740,621
Alaska Permanent Fund Dividend/Resource Rebate	2,015,974	-	-	2,015,974
Education	1,614,892	-	44,079	1,658,971
University	409,072	-	818	409,890
Health and Human Services	2,059,425	-	5,231	2,064,656
Law and Justice	201,383	1,477	-	202,860
Public Protection	620,898	-	77	620,975
Natural Resources	252,016	5,072	82,408	339,496
Development	375,980	-	11,653	387,633
Transportation	1,081,805	-	29,300	1,111,105
Intergovernmental Revenue Sharing	231,364	-	-	231,364
Debt Service:				
Principal	5,794	-	42,620	48,414
Interest and Other Charges	2,461	-	39,453	41,914
Bond Issuance Costs	-	-	524	524
Total Expenditures	9,548,605	67,842	257,950	9,874,397
Excess (Deficiency) of Revenues Over Expenditures	(1,363,627)	(5,742,978)	(104,140)	(7,210,745)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	165,000	165,000
Bonds Issued Premium	-	-	8,611	8,611
Capital Leases	271,901	-	-	271,901
Transfers In from Other Funds	881,932	-	55,132	937,064
Transfers (Out to) Other Funds	(80,250)	(874,844)	(6,308)	(961,402)
Total Other Financing Sources and Uses	1,073,583	(874,844)	222,435	421,174
Net Change in Fund Balances	(290,044)	(6,617,822)	118,295	(6,789,571)
Fund Balances - Beginning of Year	14,616,466	35,880,930	1,003,693	51,501,089
Prior Period Adjustment	(2,186)	-	-	(2,186)
Changes in Accounting Principles	-	652,961	-	652,961
Fund Balances - End of Year	$ 14,324,236	$ 29,916,069	$ 1,121,988	$ 45,362,293

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

STATE OF ALASKA **STATEMENT 1.14**
Reconciliation of the Change in Fund Balances to the Statement of Activities
Governmental Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$ (6,789,571)
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 4).		
Capital outlay	752,532	
Depreciation expense	(309,848)	
		442,684
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in governmental activities in the Statement of Revenues, Expenses, and Changes in Fund Net Assets (Statement 1.22).		
Net current year revenue		66,108
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.		47,827
Bond and other debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Bond proceeds	(173,611)	
Accrued interest	(717)	
Repayment of bond principal	48,195	
Amortization of bond issue costs	57	
		(126,076)
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 assets, the lease obligation is reported as a liability.		(271,901)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.		
Claims and judgments	(74,867)	
Compensated absences	(11,402)	
Pollution remediation	5,609	
Capital lease payments	28,608	
Pension obligation	135,668	
Other post employment benefits	(11,780)	
		71,836
Change in Net Assets of Governmental Activities		$ (6,559,093)

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

Proprietary Funds Financial Statements

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

MAJOR ENTERPRISE FUNDS

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

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

NONMAJOR FUNDS

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

STATE OF ALASKA **STATEMENT 1.21**
Statement of Net Assets
Proprietary Funds
June 30, 2009
(Stated in Thousands)

	Business-type Activities Enterprise Funds		
	International Airports	Unemployment Compensation	Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Investments	$ 126,747	$ 325,787	$ 218,236
Accounts Receivable - Net	10,026	10,665	224
Interest and Dividends Receivable	-	-	5,813
Due from Other Funds	-	115	-
Due from Other Governments	9,400	5,333	53
Loans, Notes, and Bonds Receivable	-	-	25,954
Inventories	-	-	-
Other Current Assets	-	-	-
Total Current Assets	146,173	341,900	250,280
Noncurrent Assets:			
Interest and Dividends Receivable	-	-	22,691
Loans, Notes, and Bonds Receivable	-	-	309,542
Repossessed Property	-	-	944
Investment in Projects, Partnerships, or Corporations	-	-	3,658
Restricted Assets	154,613	-	-
Other Noncurrent Assets	-	-	3,404
Capital Assets:			
Equipment, Net of Depreciation	25,348	-	-
Buildings, Net of Depreciation	546,812	-	-
Infrastructure, Net of Depreciation	341,925	-	-
Land	29,738	-	-
Construction in Progress	192,229	-	36,468
Total Noncurrent Assets	1,290,665	-	376,707
Total Assets	1,436,838	341,900	626,987
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	1,561	5,943	897
Due to Other Funds	40,629	2,193	1,992
Due to Other Governments	-	3,482	770
Interest Payable	7,269	-	-
Claims, Judgments, Compensated Absences and Pollution Remediation	3,341	-	130
Unearned and Deferred Revenue	3,602	-	-
Notes, Bonds, and Leases Payable	6,085	-	-
Other Current Liabilities	-	45	1,815
Total Current Liabilities	62,487	11,663	5,604
Noncurrent Liabilities:			
Claims, Judgments, Compensated Absences and Pollution Remediation	2,081	-	311
Notes, Bonds, and Leases Payable	576,808	-	-
Other Noncurrent Liabilities	524	-	-
Total Noncurrent Liabilities	579,413	-	311
Total Liabilities	641,900	11,663	5,915
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	669,768	-	36,468
Restricted for:			
Unemployment Compensation	-	330,237	-
Health and Human Services	-	-	351,694
Debt Service	22,869	-	-
Other Purposes	7,343	-	207
Unrestricted	94,958	-	232,703
Total Net Assets	$ 794,938	$ 330,237	$ 621,072

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

STATEMENT 1.21

Business-type Activities Enterprise Funds Total	Governmental Activities Internal Service Funds
$ 670,770	$ 104,267
20,915	65
5,813	-
115	8,735
14,786	-
25,954	-
-	3,178
-	3,517
738,353	119,762
22,691	-
309,542	-
944	-
3,658	-
154,613	-
3,404	-
25,348	153,931
546,812	94,181
341,925	-
29,738	-
228,697	10,398
1,667,372	258,510
2,405,725	378,272
8,401	17,927
44,814	1,561
4,252	-
7,269	-
3,471	2,353
3,602	-
6,085	-
1,860	1,267
79,754	23,108
2,392	714
576,808	-
524	325
579,724	1,039
659,478	24,147
706,236	256,918
330,237	-
351,694	-
22,869	-
7,550	-
327,661	97,207
$ 1,746,247	$ 354,125

STATE OF ALASKA **STATEMENT 1.22**
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Business-type Activities Enterprise Funds		
	International Airports	Unemployment Compensation	Nonmajor Enterprise Funds
OPERATING REVENUES			
Premiums and Contributions	$ -	$ 178,073	$ -
Charges for Goods and Services	94,841	-	866
Interest and Investment Income	-	-	11,747
Allowance for Uncollectible Interest	-	-	(320)
Fines and Forfeitures	-	-	67
Federal Grants in Aid	-	-	816
Other Operating Revenues	403	-	-
Total Operating Revenues	95,244	178,073	13,176
OPERATING EXPENSES			
Benefits	-	199,792	-
Operating	72,164	-	6,469
Depreciation	44,094	-	36
Provision for Loan Losses and Forgiveness	-	-	(2,313)
Other Operating Expenses	-	-	209
Total Operating Expenses	116,258	199,792	4,401
Operating Income (Loss)	(21,014)	(21,719)	8,775
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	8,349	15,888	5,915
Interest and Investment Expense	(23,844)	-	(1,625)
Gain (Loss) on Disposal of Capital Assets	(18)	-	-
Payments In from Component Units	-	-	53
Other Nonoperating Revenues (Expenses)	75	6,332	(172)
Total Nonoperating Revenues (Expenses)	(15,438)	22,220	4,171
Income Before Capital Contributions and Transfers	(36,452)	501	12,946
Capital Contributions	56,481	-	22,239
Transfers In from Other Funds	3,334	-	13,696
Transfers (Out to) Other Funds	-	(1,526)	(1,472)
Special Items:			
Pension Obligation and Other Post Employment	3,828	-	144
Change in Net Assets	27,191	(1,025)	47,553
Total Net Assets - Beginning of Year	772,950	331,262	573,519
Prior Period Adjustment	(3,685)	-	-
Changes in Accounting Principles	(1,518)	-	-
Total Net Assets - End of Year	$ 794,938	$ 330,237	$ 621,072

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

STATEMENT 1.22

Business-type Activities Enterprise Funds Total	Governmental Activities Internal Service Funds
$ 178,073	$ 75,268
95,707	95,051
11,747	-
(320)	-
67	-
816	-
403	745
286,493	171,064
199,792	80,599
78,633	84,865
44,130	22,488
(2,313)	-
209	-
320,451	187,952
(33,958)	(16,888)
30,152	2,017
(25,469)	(142)
(18)	(663)
53	-
6,235	89
10,953	1,301
(23,005)	(15,587)
78,720	65,111
17,030	14,079
(2,998)	-
3,972	2,505
73,719	66,108
1,677,731	288,017
(3,685)	-
(1,518)	-
$ 1,746,247	$ 354,125

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Business-type Activities Enterprise Funds				Governmental Activities
	International Airports	Unemployment Compensation	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Other Governments	-	-	838	838	67
Receipts from Customers	96,002	-	507	96,509	297
Receipts for Interfund Services Provided	-	-	402	402	91,374
Receipt of Principal from Loan Recipients	-	-	36,800	36,800	-
Receipt of Interest and Fees from Loan Recipients	-	-	14,372	14,372	-
Receipts from Insured	-	171,951	-	171,951	75,329
Payments to Employees	(40,634)	-	(4,171)	(44,805)	(30,619)
Payments to Suppliers	(36,190)	-	(976)	(37,166)	(53,960)
Payments to Other Governments	-	-	(348)	(348)	-
Payments to Loan Recipients	-	-	(62,175)	(62,175)	-
Claims Paid	(7,986)	(199,448)	-	(207,434)	(78,003)
Payments for Interfund Services Used	-	-	(1,218)	(1,218)	-
Other Receipts	-	-	559	559	775
Other Payments	-	-	(485)	(485)	(773)
Net Cash Provided (Used) by Operating Activities	11,192	(27,497)	(15,895)	(32,200)	4,487
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating Subsidies and Transfers (Out to) Other Funds	-	(1,526)	(1,430)	(2,956)	220
Operating Subsidies and Transfers In from Other Funds	3,334	-	11,375	14,709	14,477
Payments In from Component Units	-	-	53	53	-
Federal Grants	-	6,332	20,372	26,704	-
Proceeds from Issuance of Short-term Debt	-	-	2,373	2,373	-
Payments on Short-term Debt	-	-	(2,334)	(2,334)	-
Interest and Fees Paid on Borrowing	-	-	(2)	(2)	-
Net Cash Provided (Used) by Noncapital Financing Activities	3,334	4,806	30,407	38,547	14,697
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Contributions	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	1,007
Acquisition and Construction of Capital Assets	(153,666)	-	(3,387)	(157,053)	(26,380)
Proceeds from Capital Debt	50,000	-	-	50,000	-
Principal Paid on Capital Debt	(83,995)	-	-	(83,995)	(2,313)
Interest and Fees Paid on Capital Debt	(24,811)	-	-	(24,811)	(142)
Federal Grants	53,641	-	3,448	57,089	-
Other Receipts (Payments)	(3,346)	-	(61)	(3,407)	89
Net Cash Provided (Used) by Capital and Related Financing Activities	(162,177)	-	-	(162,177)	(27,739)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sales/Maturities of Investments	56,960	-	1,532	58,492	-
Income from Securities Lending Activities	-	-	-	-	-
Expenses from Securities Lending Activities	-	-	-	-	-
Purchase of Investments	(46,824)	-	-	(46,824)	-
Interest and Dividends on Investments	8,349	15,888	5,892	30,129	2,017
Change in Restricted Cash and Investments	129,117	-	-	129,117	-
Net Cash Provided (Used) by Investing Activities	147,602	15,888	7,424	170,914	2,017
Net Increase (Decrease) in Cash	(49)	(6,803)	21,936	15,084	(6,538)
Cash and Cash Equivalents - Beginning of Year	7,074	332,590	196,300	535,964	110,805
Cash and Cash Equivalents - End of Year	$ 7,025	$ 325,787	$ 218,236	$ 551,048	$ 104,267

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

This statement continued on next page.

STATE OF ALASKA **STATEMENT 1.23**
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Business-type Activities Enterprise Funds				Governmental Activities
	International Airports	Unemployment Compensation	Nonmajor Enterprise Funds	Enterprise Funds Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ (21,014)	$ (21,719)	$ 8,775	$ (33,958)	$ (16,888)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	44,094	-	36	44,130	22,488
Other Reconciling Items	(3,811)	-	(1,533)	(5,344)	-
Net Changes in Assets and Liabilities:					
Accounts Receivable - Net	2,066	(1,135)	62	993	372
Due from Other Funds	-	(57)	(157)	(214)	(3,593)
Due from Component Units	-	-	-	-	-
Due from Other Governments	-	(4,930)	22	(4,908)	-
Loans, Notes and Bonds Receivable - Net	-	-	(26,814)	(26,814)	-
Repossessed Property	-	-	40	40	-
Investment in Projects, Partnerships, or Corporations	-	-	1,622	1,622	-
Securities Lending Collateral	-	-	-	-	-
Interest and Dividends Receivable - Net	-	-	1,743	1,743	-
Inventories	-	-	-	-	(310)
Other Assets	-	-	44	44	(1,306)
Due to Other Funds	(7,986)	(49)	18	(8,017)	731
Due to Other Governments	-	(32)	-	(32)	-
Accounts Payable and Accrued Liabilities	(850)	(328)	391	(787)	2,982
Obligations Under Securities Lending	-	-	(111)	(111)	-
Other Liabilities	(1,307)	753	(33)	(587)	11
Net Cash Provided (Used) by Operating Activities	$ 11,192	$ (27,497)	$ (15,895)	$ (32,200)	$ 4,487
Reconciliation of Cash to the Statement of Net Assets:					
Total Cash and Investments per the Statement of Net Assets	$ 126,747	$ 325,787	$ 218,236	$ 670,770	$ 104,267
Less: Investments not Meeting the Definition of Cash or Cash Equivalents	(119,722)	-	-	(119,722)	-
Cash, End of Year	$ 7,025	$ 325,787	$ 218,236	$ 551,048	$ 104,267
Noncash Investing, Capital, and Financing Activities:					
Contributed Capital Assets	-	-	-	-	64,506
Transfers (Out to) Other Funds (Accrual)	-	-	(127)	(127)	-

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Fiduciary Funds Financial Statements

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

Pension and Other Employee Benefit Trust Funds
Agency Funds

STATE OF ALASKA **STATEMENT 1.31**
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 130,329	$ 152,383
Investments:		150,126
Short-Term Investments	61,349	
U.S. Treasury	347,837	
U.S. Government Agency	134,369	
Foreign Government Bonds	116,470	
Mortgage-Backed	948,598	
Other Asset-Backed	22,687	
Corporate Bonds	656,154	
Yankees	114,997	
Fixed Income Pool	356	
Domestic Equity Pool	4,164,041	
International Equity Pool	1,871,479	
Emerging Markets Equity Pool	619,985	
Private Equity Pool	1,063,516	
Absolute Return Pool	548,424	
Real Estate Pool	2,064,436	
Participant-Directed	1,893,408	
Other Net Investments	147,187	
Investment Loss Trust Fund Assets	1,862	-
Accounts Receivable - Net	2,944	5
Contributions Receivable	36,296	-
Interest and Dividends Receivable	75	-
Due from Other Funds	28,090	-
Other Assets	4,168	-
Total Assets	14,979,057	302,514
LIABILITIES		
Accounts Payable and Accrued Liabilities	36,434	2,992
Trust Deposits Payable	-	292,798
Due to Other Funds	14,632	6,724
Total Liabilities	51,066	302,514
NET ASSETS		
Held in Trust for:		
Pension Benefits	12,378,560	-
Postemployment Healthcare Benefits	296,209	-
Individuals, Organizations, and Other Governments	2,253,222	-
Total Net Assets	$ 14,927,991	$ -

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

STATE OF ALASKA **STATEMENT 1.32**
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Pension and Other Employee Benefit Trust Funds
ADDITIONS	
Premiums and Contributions:	
Employer	$ 569,625
Member	356,683
Other	452,248
Total Premiums and Contributions	1,378,556
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	(4,185,710)
Interest	146,439
Dividends	314,144
Total Investment Income	(3,725,127)
Less Investment Expense	26,291
Net Investment Income	(3,751,418)
Other Additions	12,491
Total Additions	(2,360,371)
DEDUCTIONS	
Benefits Paid	1,343,089
Insurance Premiums	3,964
Refunds of Premiums and Contributions	17,951
Administrative Expenses	35,089
Total Deductions	1,400,093
Net Increase (Decrease) in Net Assets Held in Trust for:	
Pension Benefits	(3,296,123)
Postemployment Healthcare Benefits	43,716
Individuals, Organizations, and Other Governments	(508,057)
Net Assets - Beginning of the Year	18,688,455
Net Assets - End of the Year	$ 14,927,991

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

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Component Units Financial Statements

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

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STATE OF ALASKA **STATEMENT 1.41**
Statement of Net Assets
Component Units
June 30, 2009
(Stated in Thousands)

	University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total
ASSETS					
Cash and Investments	$ 138,521	$ 597,912	$ 349,593	$ 1,014,944	$ 2,100,970
Accounts Receivable - Net	23,863	-	-	28,706	52,569
Interest and Dividends Receivable	183	15,854	5,980	18,135	40,152
Due from Primary Government	10,165	19,046	92	8,385	37,688
Due from Component Units	17	123	1,852	62	2,054
Due from Other Governments	32,823	-	285	13,263	46,371
Loans, Notes, and Bonds Receivable	17,755	3,195,444	369,431	713,494	4,296,124
Inventories	7,270	-	-	18,903	26,173
Repossessed Property	-	-	300	-	300
Net Investment in Direct Financing Leases	-	64,802	260,223	-	325,025
Investments in Projects, Partnerships, or Corporations	-	-	83,428	-	83,428
Securities Lending Collateral	-	-	-	22,702	22,702
Restricted Assets	250,262	674,477	105,809	687,017	1,717,565
Other Assets	40,128	50,763	4,295	3,296	98,482
Capital Assets:					
Equipment, Net of Depreciation	101,319	681	-	160,794	262,794
Buildings, Net of Depreciation	550,720	98,370	1,627	37,852	688,569
Infrastructure, Net of Depreciation	32,638	-	-	737,097	769,735
Land	28,490	13,753	600	30,742	73,585
Construction in Progress	120,822	200	-	76,438	197,460
Total Assets	1,354,976	4,731,425	1,183,515	3,571,830	10,841,746
LIABILITIES					
Accounts Payable and Accrued Liabilities	44,197	15,195	2,130	75,227	136,749
Obligations Under Securities Lending	-	-	-	22,702	22,702
Due to Primary Government	-	5,066	408	15,344	20,818
Due to Component Units	-	-	-	1,852	1,852
Due to Other Governments	-	-	-	798	798
Interest Payable	-	13,715	2,322	11,751	27,788
Other Current Liabilities	48,540	149,724	4	2,612	200,880
Long-term Liabilities:					
Portion Due or Payable Within One Year:					
Claims, Judgments, Compensated Absences and Pollution Remediation	-	2,096	-	1,463	3,559
Unearned and Deferred Revenue	1,281	-	-	11,946	13,227
Notes, Bonds, and Leases Payable	6,473	92,945	9,755	80,414	189,587
Other Long-term Debt	-	-	-	2,590	2,590
Other Noncurrent Liabilities	-	1,946	-	357	2,303
Portion Due or Payable After One Year:					
Claims, Judgments, Compensated Absences and Pollution Remediation	-	2,073	-	31,006	33,079
Unearned and Deferred Revenue	15,323	-	4,561	429,990	449,874
Notes, Bonds, and Leases Payable	121,540	2,776,208	182,410	1,338,045	4,418,203
Other Long-term Debt	-	-	-	8,373	8,373
Other Noncurrent Liabilities	7,162	346	7,399	1,703	16,610
Total Liabilities	244,516	3,059,314	208,989	2,036,173	5,548,992
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	705,398	113,004	85,654	390,030	1,294,086
Restricted for:					
Permanent Funds					
Nonexpendable	-	-	-	308,157	308,157
Expendable	-	-	-	84,778	84,778
Education	261,914	-	-	39,963	301,877
Debt Service	4,779	635,816	-	51,569	692,164
Other Purposes	-	59,881	819	42,688	103,388
Unrestricted	138,369	863,410	888,053	618,472	2,508,304
Total Net Assets	$ 1,110,460	$ 1,672,111	$ 974,526	$ 1,535,657	$ 5,292,754

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

STATE OF ALASKA **STATEMENT 1.42**
Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

		Program Revenues		
	Expenses	Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Component Units:				
University of Alaska	$ 768,958	$ 157,813	$ 218,672	$ 3,851
Alaska Housing Finance Corporation	349,417	213,715	53,057	59,530
Alaska Industrial Development and Export Authority	47,516	46,901	261	5,129
Nonmajor Component Units	459,576	220,307	61,562	(4,308)
Total Component Units	$ 1,625,467	$ 638,736	$ 333,552	$ 64,202

General Revenues:
Interest and Investment Income (Loss)
Taxes
Payments In from Component Units
Payments In from Primary Government
Other Revenues
Special Items:
Pension Obligation and Other Post Employment
Total General Revenues
Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Changes in Accounting Principles
Net Assets - End of Year

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

Net (Expense) Revenue and Changes in Net Assets

University of Alaska	Alaska Housing Finance Corporation	Alaska Industrial Development and Export Authority	Nonmajor Component Units	Total Component Units
$ (388,622)	$	$	$	$ (388,622)
	(23,115)			(23,115)
		4,775		4,775
			(182,015)	(182,015)
(388,622)	(23,115)	4,775	(182,015)	(588,977)
(61,501)	25,718	17,645	(14,540)	(32,678)
-	-	-	9,016	9,016
38,745	-	4,432	-	43,177
369,555	-	623	111,575	481,753
6,251	3,337	-	1	9,589
31,325	-	1,109	811	33,245
384,375	29,055	23,809	106,863	544,102
(4,247)	5,940	28,584	(75,152)	(44,875)
1,114,707	1,666,171	945,942	1,601,304	5,328,124
-	-	-	2,186	2,186
-	-	-	7,319	7,319
$ 1,110,460	$ 1,672,111	$ 974,526	$ 1,535,657	$ 5,292,754

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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, 2009

Page

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE FINANCIAL REPORTING ENTITY

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

The following component units are included in the accompanying financial statements. Blended component units, although legally separate entities, are, in substance, part of the State's operations and provide services entirely or almost entirely to the State. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the State. 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; and 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 (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 68 percent of the total cash and investments and 58 percent of total government-wide net assets excluding discretely presented component units. The Fund is reported as a permanent fund (a governmental fund type), and APFC operations are included in the fund statements. Separately issued financial statements may be obtained from the Alaska Permanent Fund Corporation, P.O. Box 115500, Juneau, AK 99811-5500, or from their web site at www.apfc.org.

The **Knik Arm Bridge and Toll Authority** (KABTA) is a public corporation and government instrumentality in the Department of Transportation and Public Facilities (AS 19.75.021). The authority has a separate and independent legal existence from the State. It is governed by a board of directors, including the commissioner of the Department of Transportation and Public Facilities, the commissioner of the Department of Revenue, three public members appointed by the Governor, and two non-voting members: a member of the House of Representatives appointed by the Speaker; and a member of the Senate appointed by the President. The purpose of the authority is to develop public transportation systems in the vicinity of Upper Cook Inlet with construction of a bridge to span Knik Arm and connect the Municipality of Anchorage with the Matanuska-Susitna Borough. KABTA financial statements are included in the Combining Fund section of this Comprehensive Annual Financial Report (CAFR) with the Nonmajor Enterprise Funds. Separately issued financial statements may be obtained from Knik Arm Bridge and Toll Authority, 550 W. 7th Avenue, Suite 1850, 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 assets in the governmental fund activities column. NTSC financial statements may be obtained from the Alaska Housing Finance Corporation, P.O. Box 101020, Anchorage, AK 99510-1020.

The **Public Employees' Retirement System** (PERS) was established by Alaska Statute (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. The Governor appoints the majority of the ARMB.

The **Teachers' Retirement System** (TRS) 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 Governor appoints the majority of the ARMB.

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 Governor appoints the majority of the ARMB.

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 Governor appoints the majority of the ARMB.

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. ARMB is the fiduciary of SBS. The Governor appoints the majority of the ARMB.

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. ARMB is the fiduciary of the DCP. The Governor appoints the majority of the ARMB.

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.

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

The **Alaska 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 Natural Gas Development Authority** (ANGDA) is a public corporation and government instrumentality in the Department of Revenue (AS 41.41.010). The authority has a legal existence independent of and separate from the State. The authority is governed by a seven member board of directors appointed by the Governor and confirmed by the Legislature. The budget is submitted and approved by the Governor and Legislature. The purpose of the authority is to bring natural gas from the North Slope to market. ANGDA financial statements may be obtained from the Alaska Gas Development Authority, 411 West 4th Avenue, Anchorage, AK 99501.

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, 3030 Vintage Blvd., Juneau, AK 99801-7100.

The **University of Alaska** is established as a corporation and is an instrumentality of the State (AS 14.40.040). A board of regents appointed by the Governor and confirmed by the Legislature governs the university. The Legislature approves the university's budget. The university is created and acts for the benefit of the State and the public in providing education in accordance with an express mandate of the constitution. The financial statements of the university include the assets, liabilities and related activity of the University of Alaska Foundation, a legally separate non profit 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.

B. BASIC FINANCIAL STATEMENTS

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

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

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

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them available for general operations (see note 1.F.). Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide statements. The fund financial statements are, in substance, very similar to the previous financial reporting model's financial statements. However, the new model emphasis is on major funds (of which the State has four, the General Fund and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund and Unemployment Compensation, which are enterprise funds). 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 management 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). 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.

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

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

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

D. FINANCIAL STATEMENT PRESENTATION

The State reports four major funds, the General Fund, and the Alaska Permanent Fund, both of which are governmental funds, and the International Airports Fund and Unemployment Compensation Fund, which are proprietary enterprise funds. 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. The Unemployment Compensation Fund is administered by the Department of Labor and Workforce Development and is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants. 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 and Deferred Compensation Fund fiscal years end on December 31, and the Alaska Supplemental Benefits System fiscal year ends on January 31.

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

CASH AND INVESTMENTS, CASH AND CASH EQUIVALENTS

The amounts shown on the statements of net assets and the balance sheets as Cash and Investments represent cash on deposit in banks, petty cash, cash invested in various short-term instruments, and other investments of the State and its component units. 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 and international equity securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers.

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

Private equity securities are valued periodically by the general partners. Underlying private equity investments that are listed on a national exchange are valued using quoted market prices. Securities for which there are not market quotations available are initially carried at original cost and subsequently valued at fair value as determined by the general partners. In determining fair value, the financial condition, operating results and projected operating cash flow of the underlying portfolio companies, prices paid in private sales of such securities, the nature and duration of restrictions on disposition of the securities, the expenses and delay that would be involved in registration, the price and extent of public trading in similar securities, the existence of merger proposals or tender offers affecting securities, reports prepared by analysts are considered as appropriate. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

Absolute return investments are carried at fair value as determined by the pro-rata interest in the net assets of the underlying investment funds. These investment funds are valued periodically by the general partners and the managers of the underlying investments. The net asset value represents the amount that would be expected to be received if it were to liquidate its interests subject to liquidity or redemption restrictions. Because of the inherent uncertainty of valuations, however, these estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and these differences could be material.

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

Real estate, farmland, farmland waterway, and timber investments are valued quarterly by investment managers and are appraised annually by independent appraisers.

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

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

The Statement of Cash Flows for the enterprise funds shows changes in cash and cash equivalents. For the purpose of the Statement of Cash Flows, all highly liquid debt instruments with original maturities of three months or less are considered cash and cash equivalents. In addition, because the State's General Fund and Other Non-segregated Investment (GeFONSI) pool and the Short-term Fixed Income Pool operates as demand deposit accounts, amounts invested in the pools are classified as cash and cash equivalents. At June 30, 2009, the assets of the GeFONSI pool were comprised of shares in the Short-term Fixed Income Pool and shares in the Intermediate-term Fixed Income Pool.

RECEIVABLES

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

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

INTER/INTRAFUND TRANSACTIONS

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

INVENTORIES

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

CAPITAL ASSETS

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

Capital assets are depreciated on the straight-line method over the estimated useful lives of the related assets.
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 collections, library reserve collections, and museum and historical collections. These assets are: held for public exhibition, education, or research rather than financial gain; protected, kept unencumbered, cared for, and preserved; and proceeds from the sale of collection items are used to acquire other items for collections.

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

COMPENSATED ABSENCES

Regulations governing annual/personal leave (vacation pay) provide that State employees will receive time off, or pay, for hours accumulated. Consequently, a liability exists with respect to accumulated annual/personal leave at any given time. As of June 30, 2009, this liability is recognized and reported in the government-wide and proprietary fund financial statements. The State's estimated liability for compensated absences, as reported in the government-wide Statement of Net Assets, is $143.7 million. There is no liability in the accompanying financial statements for unpaid accumulated sick leave. Accumulated sick leave may be used only for actual illness. When an employee separates from state service, any sick leave balance to their credit is reduced to zero without additional compensation to the employee. See Note 12 for disclosure of the amount of the sick leave contingency.

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

NET ASSETS / FUND BALANCE

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

FUND BALANCE RESERVES / DESIGNATIONS

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

The following shows the composition of the fund balance of the governmental funds for the fiscal year ended June 30, 2009 (in thousands):

Reserved	General	Permanent	Special Revenue	Debt Service	Capital Projects
Encumbrances	$ 855,195	$ -	$ 23,999	$ -	$ 84,988
Nonliquid Assets	221,129	-	-	-	-
Bonds	-	-	-	48,857	-
Other	25,033	29,824,502	850	-	-
Total Reserved	1,101,357	29,824,502	24,849	48,857	84,988
Unreserved					
Designated					
Continuing Appropriations	1,478,603	583	366,848	-	195,413
Other	2,967,301	419,984	3,891	-	-
Undesignated	8,776,975	5,751	50,254	-	12,137
Total Unreserved	13,222,879	426,318	420,993	-	207,550
Total Fund Balance	$ 14,324,236	$ 30,250,820	$ 445,842	$ 48,857	$ 292,538

There are 15 subfunds within the General Fund that have fund balance reserved for other purposes. The other purposes include $6,380 thousand for Certifications of Participation that pay debt service on State construction projects, $11,050 thousand for purposes outlined in State statute, and $7,603 thousand for purposes that accompany the receipt of federal funds.

There are two Permanent Funds that have fund balance amounts reserved for other purposes, Alaska Permanent Fund and the Public School Trust Fund. The Alaska Permanent Fund amount that is reserved for other purposes ($29,496,085 thousand) is the principal balance of the fund. The State's Constitution specifically requires that the principal be invested in perpetuity. The Public School Trust Fund amount that is reserved for other purposes ($328,417 thousand) is the principal of the fund and capital gains or losses realized on the principal are to be held in perpetuity per AS 37.14.110(c).

There is one Special Revenue Fund that has a fund balance amount reserved for other purposes, the Mine Reclamation Fund. The Mine Reclamation Fund reserved for other purposes ($850 thousand) includes payments and deposits made by miners to satisfy the miners' reclamation bonding or financial assurance obligation required under AS 27.19.040 and AS 27.21.160.

RESTRICTED NET ASSETS

Permanent Funds

Restricted net assets for permanent funds are required to be identified as expendable or nonexpendable. All of the Alaska Permanent Fund restricted net assets ($29,496 million), $328 million of the Public School Trust Fund net assets, and $308 million of the Alaska Mental Health Trust Authority (a discretely presented component unit) restricted net assets are nonexpendable. The remaining $6 million (2 percent) of the Public School Trust Fund restricted net assets, and $85 million (twenty-two percent) of the Alaska Mental Health Trust Authority restricted net assets are expendable.

Net Assets Restricted by Enabling Legislation

The government-wide statement of net assets reports $30.7 billion of restricted net assets for the primary government, of which $23.4 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 as reservations of fund balances and do not constitute expenditures or liabilities. Unencumbered balances of annual appropriations lapse at the end of the fiscal year.

Expenditures of funds are made only upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain. Transfers between appropriations are not authorized. Agencies faced with potential overexpenditure of appropriations must (1) reduce the rate of expenditures, (2) seek relief through supplemental appropriations, or (3) request necessary approvals to receive and expend additional funds. In order to provide sufficient funding for several programs during FY 09, supplemental appropriations within the operating and capital budgets were enacted. The American Recovery and Reinvestment Act of 2009 (ARRA) had a significant impact on the State of Alaska FY 09 supplemental budgets. The total supplemental appropriations for the FY 09 operating budget of $233.0 million ($286.6 million of ARRA) were enacted, of which $50.1 million was reduced from the General Fund, $3.2 million was reduced from other funds, and $286.3 was appropriated from federal funds. In addition, the total supplemental appropriations for the FY 09 capital budget of $741.7 million ($499.6 million of ARRA) were enacted, of which $6.3 million was appropriated from the General Fund, $120.1 million was appropriated from other funds, and $615.3 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 09, the Office of Management and Budget estimated the limit to be approximately $8.3 billion. The FY 09 budget passed by the legislature and after vetoes was $6.7 billion (unrestricted General Fund revenues only), or $1.6 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."

The following is a schedule of amounts appropriated from the CBRF, and the amounts transferred back to the CBRF from the General Fund as provided in section 17(d). As can be seen from this schedule, the amount appropriated has been fully repaid as of June 30, 2009. The paragraphs following the schedule provide an explanation of the entries.

Chapter 14, SLA 1994, section 7	$ 1,006,038,474
Chapter 14, SLA 1994, section 8	49,608,135
Chapter 14, SLA 1994, section 9	368,581,990
Subtotal FY 94	1,424,228,599
Chapter 3, FSSLA 1994, section 39(c)	22,417,986
Chapter 3, FSSLA 1994, section 40	68,738,958
Chapter 3, FSSLA 1994, section 22(a)	11,250,000
Chapter 6, FSSLA 1994, section 1	130,300,000
Article IX, section 17(d) Alaska Constitution (FY 95)	(95,506,853)
Subtotal FY 95	137,200,091
Chapter 94, SLA 1995, section 43(a)	95,506,853
Chapter 94, SLA 1995, miscellaneous operating appropriation	8,356,516
Chapter 94, SLA 1995, section 43(b)	284,873,567
Article IX, section 17(d) Alaska Constitution (FY 96)	(74,352,026)
Subtotal FY 96	314,384,910
Chapter 94, SLA 1995, miscellaneous operating appropriation	8,316,412
Chapter 5, FSSLA 1996, section 1(a)	74,352,026
Article IX, section 17(d) Alaska Constitution (FY 97)	(166,019,445)
Subtotal FY 97	(83,351,007)

Chapter 98, SLA 1997, section 35(a)	166,019,445
Chapter 98, SLA 1997, page 47, line 3	529,258
Chapter 98, SLA 1997, section 35(b)	423,319,190
Article IX, section 17(d) Alaska Constitution (FY 98)	(89,264,067)
Subtotal FY 98	500,603,826
Chapter 139, SLA 1998, section 42(a)	89,264,067
Chapter 2, SLA 1999, section 16(c)	446,949
Chapter 27, SLA 1999, section 2(a), Y2K appropriations	2,336,290
Chapter 2, FSSLA 1999, section 21(a)	1,042,014,840
Article IX, section 17(d) Alaska Constitution (FY 99)	(94,632,453)
Subtotal FY 99	1,039,429,693
Chapter 2, SLA 1999, section 16(c)	13,051
Chapter 27, SLA 1999, section 2(a), Y2K appropriations	5,594,185
Chapter 84, SLA 1999, section 35(a)	94,632,453
Chapter 2, FSSLA 1999, section 21(b)	295,898,497
Chapter 8, SLA 2000, section 8(a)	3,227,666
Chapter 75, SLA 2000, section 1(b)	100,000,000
Article IX, section 17(d) Alaska Constitution (FY 00)	(111,438,806)
Subtotal FY 00	387,927,046
Chapter 133, SLA 2000, section 11(a)	111,438,806
Chapter 75, SLA 2000, section 1(c)	500,000
Chapter 135, SLA 2000, section 18(c)	121,672
Article IX, section 17(d) Alaska Constitution (FY 01)	(115,416,319)
Subtotal FY 01	(3,355,841)
Chapter 61, SLA 2001, section 93(a)	101,947,305
Chapter 61, SLA 2001, section 93(b)	884,311,765
Chapter 61, SLA 2001, section 93(c)	125,000
Article IX, section 17(d) Alaska Constitution (FY 02)	(130,695,249)
Subtotal FY 02	855,688,821
Chapter 1, SSSLA 2002, section 94(a)	130,695,249
Chapter 1, SSSLA 2002, section 94(b)	498,120,073
Chapter 1, SSSLA 2002, section 94(c)	121,425
Article IX, section 17(d) Alaska Constitution (FY 03)	(88,755,533)
Subtotal FY 03	540,181,214
Chapter 159, SLA 2004, section 61(a)	88,755,533
Chapter 159, SLA 2004, section 61(b)	10,784,830
Chapter 159, SLA 2004, section 61(c)	109,120
Article IX, section 17(d) Alaska Constitution (FY 04)	(94,626,898)
Subtotal FY 04	5,022,585
Chapter 159, SLA 2004, section 61(d)	94,626,898
Chapter 159, SLA 2004, section 61(e)	34,922,767
Chapter 159, SLA 2004, section 61(f) and Chapter 6, SLA 2005, section 17(a)	125,940
Article IX, section 17(d) Alaska Constitution (FY 05)	(85,513,723)
Subtotal FY 05	44,161,882
Chapter 3, FSSLA 2005, section 61(a)	85,513,723
Chapter 6, SLA 2005, section 17(a)	24,060
Chapter 3, FSSLA 2005, section 61(c)	167,000
Article IX, section 17(d) Alaska Constitution (FY 06)	(156,696,777)

Subtotal FY 06	(70,991,994)
Chapter 82, SLA 2006, section 63(a)	156,696,777
Chapter 82, SLA 2006, section 63(b)	117,761
Chapter 30, SLA 2007, section 57	(50,000,000)
Article IX, section 17(d) Alaska Constitution (FY 07)	(416,165,110)
Subtotal FY 07	(309,350,572)
Chapter 28, SLA 2007, section 31(a)	416,165,110
Chapter 28, SLA 2007, section 31(c) and Chapter 29, SLA 2008, section 72(b)	466,868
Chapter 29, SLA 2008, section 72(a)	(400,000,000)
Chapter 11, SLA 2008, section 33(a)	(2,600,000,000)
Article IX, section 17(d) Alaska Constitution (FY 08)	(2,048,318,120)
Subtotal FY 08	(4,631,686,142)
Chapter 27, SLA 2008, section 28(a)	1,466,159,407
Chapter 27, SLA 2008, section 28(c) and Chapter 29, SLA 2008, section 72(c)	1,239,870
Chapter 27, SLA 2008, section 28(e)	(1,000,000,000)
Article IX, section 17(d) Alaska Constitution (FY 09)	(617,492,388)
Subtotal FY 09	(150,093,111)
Total appropriated from the CBRF	$ 0

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

Chapter 14, SLA 1994, section 9, chapter 3 FSSLA 1994, section 39(c), chapter 94 SLA 1995, section 43(b), chapter 98 SLA 1997, section 35(b), chapter 2 FSSLA 1999, section 21(a) and (b), chapter 61 SLA 2001, section 93(b), chapter 1, SSSLA 2002, section 94(b), chapter 159 SLA 2004, section 61(b), and chapter 159 SLA 2004, section 61(e), appropriated additional amounts from the CBRF to the general fund to fund any shortfalls between state revenue and general fund appropriations for fiscal years 1994, 1995, 1996, 1998, 1999, 2000, 2002, 2003, 2004 and 2005 respectively.

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

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

This schedule shows the effect of article IX, section 17(d), of the Alaska Constitution, which provides that the amount of money in the general fund available for appropriation at the end of each succeeding fiscal year shall be deposited in the budget reserve fund until the amount appropriated is repaid. As of June 30, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008 and 2009, amounts in various subfunds and accounts of the general fund that were identified as available for appropriation were used to repay a part of the liability to the CBRF. The amounts for FY 95, FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04, FY05, FY 06, FY 07 and FY 08 were transferred to the CBRF during FY 96, FY 97, FY 98, FY 99, FY 00, FY 01, FY 02, FY 03, FY 04, FY 05, FY06, FY 07, FY 08 and FY 09 respectively. The amount for FY 09 will be transferred to the CBRF during FY 10.

The amounts transferred under article IX, section 17(d), were appropriated back to the funds from which transferred under chapter 94, SLA 1995, section 43(a) for FY 95, chapter 5, FSSLA 1996, section 1(a) for FY 96, chapter 98, SLA 1997, section 35(a) for FY 97, chapter 139, SLA 1998, section 42(a) for FY 98, chapter 84, SLA 1999, section 35(a) for FY 99, chapter 133, SLA 2000, section 11(a) for FY 00, chapter 61, SLA 2001, section 93(a) for FY 01, chapter 1, SSSLA 2002, section 94(a) for FY 02, chapter 159, SLA 2004, section 61(a) for FY03, chapter 159, SLA 2004, section 61(d) for FY 04, chapter 3, FSSLA 2005, section 61(a) for FY 05, chapter 82, SLA 2006, section 63(a) for FY 06, chapter 28 SLA 2007, section 31 (a) for FY07, chapter 27, SLA 2008, section 28(a) for FY 08 and chapter 12, SLA 2009, section 27(a) for FY09. The amounts transferred under article IX, section 17(d), that were appropriated back to the subfunds in FY10 will result in a beginning liability of $401,616,586 for FY10.

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

Chapter 98, SLA 1997, Page 47, line 3, chapter 2, SLA 1999, section 16(c), chapter 135, SLA 2000, section 18(c), chapter 61, SLA 2001, section 93(c), chapter 1, SSSLA 2002, section 94(c), chapter 159, SLA 2004, section 61(c), chapter 159, SLA 2004, section 61(f), chapter 6, SLA 2005, section 17(a), chapter 3, FSSLA 2005, section 61(c), chapter 82, SLA 2006, sec 63(b), chapter 28, SLA 2007, section 31(c), chapter 29, SLA 2008, section 72(b), chapter 27, SLA 2008, section 28(c) and chapter 29, SLA 2008, section 72 (c) appropriated amounts from the CBRF for treasury management of CBRF investments in FY 98, FY 99, FY 01, FY 02, FY 03, FY 04, FY 05, FY06, FY 07, FY 08 and FY09 respectively.

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

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

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

Chapter 30, SLA 2007, section 57 appropriated $50,000,000 from the General Fund to the CBRF in FY07. Chapter 29, SLA 2008, section 72(a) appropriated $400,000,000 from the General Fund to the CBRF and Chapter 11, SLA 2008, section 33(a) appropriated $2,600,000,000 from the General Fund to the CBRF in FY 08. Chapter 27, SLA 2008, section 28(e) appropriated $1,000,000,000 from the General Fund to the CBRF in FY 09. These appropriations reduced the General Fund long-term liability to the CBRF.

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

Prior Period Adjustments

Changes displayed as prior period adjustment in the fund financial statements are listed below.

- $3,685 thousand decrease for the International Airport Fund to record compensated absences which were not previously reported.

- $2,186 thousand decrease to the General Fund and $2,186 thousand increase to the Alaska Seafood Marketing Institute (ASMI), non-major discretely presented component without separately issued financial statements. ASMI had inappropriately been reported in the General Fund.

Adoption of New Accounting Pronouncements and Restatements

The change displayed as change in accounting standards in the financial statements is listed below.

Governmental Accounting Standards Board Statement Number 49

During the fiscal year ended June 30, 2009, the State adopted Governmental Accounting Standards Board Statement (GASBS) 49. Accounting and Financial Reporting for Pollution Remediation Obligations, establishing accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care. The effects of applying this standard are disclosed in Note 12.

The provisions of GASBS 49 require the measurement of pollution remediation liabilities at July 1, 2008; therefore, the State's beginning net assets have been restated. The following is a reconciliation of total net assets as previously reported as June 30, 2008 to the beginning net assets balance (amounts in thousands):

	Net Assets at June 30, 2008	Retrospective Adjustment	Net Assets at July 1, 2008
Governmental Activies	$ 55,883,483	$ (48,739)	$ 55,834,744
International Airports	772,950	(1,518)	771,432
Alaska Railroad Corporation	198,143	(87)	198,056

Governmental Accounting Standards Board Statement Number 52

In November 2007, the Governmental Accounting Standards Board issued Statement (GASBS) 52: *Land and Other Real Estate Held as Investments by Endowments*. GASBS 52 requires that land and real estate held by permanent and term endowments be reported at fair value. This statement is effective as of the beginning of an entity's first fiscal year beginning after June 15, 2008, which corresponds to the State's fiscal year beginning July 1, 2008, and must be applied retrospectively to all periods presented. The State of Alaska has retrospectively applied the provisions of this statement to its direct investments in real estate beginning with the year ending June 30, 2008.

The effects on the Statement of Net Assets and Statement of Revenues, Expenditures and Changes in Fund Balances as of June 30, 2008 are as follows:

	Amounts in Thousands		
	As Originally Reported	Retrospective Adjustment	Retrospectively Applied
Alaska Permanent Fund Corporation:			
Statement of Net Assets			
Investments – Real estate	$ 3,514,057	$ 652,961	$ 4,167,018
Fund Balance - Unrealized Appreciation on Invested Assets	1,763,226	652,961	2,416,187
Statement of Revenue, Expenditures and Changes in Fund Balances			
Net Increase (Decrease) in the Fair Value of Investments – Real Estate	(176,631)	91,090	(85,541)
Fund Balances – Beginning of Period	37,826,096	561,871	38,387,967
Fund Balances – End of Period	35,880,930	652,961	36,533,891
Alaska Mental Health Trust Authority:			
Statement of Net Assets			
Cash and Investments	$ 509,423	$ 7,406	$ 516,829
Statement of Revenue, Expenditures and Changes in Fund Balances			
Nonexpendable Investment Loss	(49,488)	7,170	(42,318)
Investment Income	35,421	(6,278)	29,143
Nonexpendable Rents and Royalties	9,350	701	10,051
Rents and Royalties	2,033	(701)	1,332
Fund Balances – Beginning of Period	502,965	6,514	509,479
Fund Balances – End of Period	476,333	7,406	483,739

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, Alaska Children's, 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 Pool are managed externally. Treasury manages the Short-term Fixed Income Pool, Non-interest Bearing Deposits, Intermediate-term Fixed Income Pool, U.S. Treasury Fixed Income Pool, Conservative Broad Market 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, Alaska 99811-0405 or at http://www.revenue.state.ak.us/treasury.

Deposits and investments at June 30, 2009, are as follows:

	Fair Value (in thousands)							
Investment Type	Short-term Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	U.S. Treasury Fixed Income Pool	Conservative Broad Market Fixed Income Pool	Tobacco Revenue Fixed Income	Other	Total
Deposits	$ 11,399	$ -	$ -	$ -	$ -	$ -	$ 28,911	$ 40,310
Short-term Investment Fund	-	-	-	-	-	-	4,730	4,730
Money Market	-	-	-	-	-	70,729	-	70,729
Commercial Paper	228,582	-	-	-	-	-	-	228,582
U.S. Treasury Bills	1,289,654	-	-	-	-	-	-	1,289,654
U.S. Treasury Notes	-	-	330,917	109,270	-	-	-	440,187
U.S. Treasury Bonds	-	2,994,122	37,858	17,502	-	-	-	3,049,482
U.S. Government Agency	100,011	1,951,156	72,319	10,170	-	-	-	2,133,656
Mortgage-backed	143,859	618,484	1,009,543	-	-	-	-	1,771,886
Mutual Fund	-	-	-	-	-	-	30,555	30,555
Other Asset-backed	455,433	40,668	25,238	-	-	-	-	521,339
Corporate Bonds	1,231,217	720,349	403,756	11,975	-	-	-	2,367,297
Yankees:								
Government	-	51,429	5,654	-	-	-	-	57,083
Corporate	265,039	283,766	81,418	-	-	-	-	630,223
Emerging Debt	-	-		-	-	-	78,063	78,063
Domestic Equity	-	-	-	-	-	-	2,292,112	2,292,112
International Equity	-	-	-	-	-	-	895,686	895,686
Total Invested Assets	3,725,194	6,659,974	1,966,703	148,917	-	70,729	3,330,057	15,901,574
Pool related net assets (liabilities)	3,405	18,120	(37,175)	708	-	-	998	(13,944)
Net Invested Assets before earnings distribution to participants	3,728,599	6,678,094	1,929,528	149,625	-	70,729	3,331,055	15,887,630
Earnings payable to participants	(12,110)	-	-	-	-	-	-	(12,110)
Other pool ownership	(250,051)	126,208	(1,198,720)	(149,625)	1,472,188	-	-	-
Ownership under other fiduciary responsibility								
Alaska Retirement Management Board	(180,813)	-	-	-	-	-	-	(180,813)
Exxon Valdez Oil Spill Trustee Council	-	-	(51,571)	-	-	-	(98,553)	(150,124)
University of Alaska	-	-	-	-	-	-	(68,523)	(68,523)
Alaska Student Loan Corporation	-	(10,847)	-	-	-	-	-	(10,847)
Alaska Mental Health Trust Authority	(3,196)	-	(9,407)	-	-	-	(20,859)	(33,462)
Total Invested Assets	$ 3,282,429	$ 6,793,455	$ 669,830	$ -	$ 1,472,188	$ 70,729	$ 3,143,120	$ 15,431,751

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2009, the expected average life of individual fixed rate securities ranged from one day to six and one-half years and the expected average life of floating rate securities ranged from one day to eight years.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration 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.

Intermediate-term and Broad Market and Conservative Broad Market Fixed Income Pools

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

Intermediate-term Fixed Income Pool - ± 20% of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2009 was 2.54 years.

Broad Market Fixed Income Pool - ± 20% of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2009 was 4.30 years.

At June 30, 2009, the effective duration by investment type was as follows:

	Effective Duration (in years)		
	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	U.S. Treasury Fixed Income Pool
Corporate Bonds	2.10	-	2.57
Mortgage-backed	2.42	-	-
Other Asset-backed	0.71	-	-
U.S. Treasury Bonds	-	12.81	9.58
U.S. Treasury Notes	3.07	6.01	4.70
U.S. Government and Agency Securities	2.02	6.92	8.95
Yankees			
Government	2.81	4.80	-
Corporate	2.73	11.37	-
Portfolio Effective Duration	2.52	4.19	5.12

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. 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.

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.

In the U.S. Treasury Fixed Income Pool commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's Corporation. In addition, corporate, 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. In addition, asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

The Conservative Broad Market Fixed Income pool does not have its own investment policy because it invests only in existing pools, which do have established policies.

The Commissioner does not have policies with regard to credit risk in the SSgA Russell 3000 and SSgA MSCI EAFE Index Common Trust Funds (Trusts).

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, 2009, the Tobacco Revenue Fixed Income Securities consisted of commercial paper rated A-1.

At June 30, 2009, the State's internally managed Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

Investment Type	Rating	Short-term Fixed Income Pool	Intermediate-term Fixed Income Pool	Broad Market Fixed Income Pool	U.S. Treasury Pool
Commercial Paper	A-1	1.10%	-	-	-
Commercial Paper	Not Rated	5.05%	-	-	-
U.S. Treasury Notes	AAA	-	44.01%	16.18%	69.34%
U.S. Treasury Bills	AAA	34.70%	-	-	-
U.S. Treasury Bonds	AAA	-	-	1.85%	11.11%
U.S. Government Agency	AAA	2.69%	27.68%	2.36%	-
U.S. Government Agency	Not Rated	-	1.00%	1.18%	6.45%
Mortgage-backed	AAA	3.46%	7.42%	45.46%	-
Mortgage-backed	A	0.11%	-	-	-
Mortgage-backed	BBB	0.18%	-	-	-
Mortgage-backed	Not Rated	0.30%	1.67%	3.89%	-
Other Asset-backed	AAA	10.87%	0.39%	0.82%	-
Other Asset-backed	AA	0.85%	0.05%	0.09%	-
Other Asset-backed	A	0.35%	0.15%	0.26%	-
Other Asset-backed	BBB	-	-	0.06%	-
Corporate Bonds	AAA	19.33%	4.49%	1.85%	7.60%
Corporate Bonds	AA	6.16%	1.36%	2.63%	-
Corporate Bonds	A	7.64%	2.92%	9.11%	-
Corporate Bonds	BBB	-	1.81%	5.96%	-
Corporate Bonds	Not Rated	-	-	0.19%	-
Yankees:					
Government	AA	-	0.76%	-	-
Government	BBB	-	-	0.17%	-
Government	Not Rated	-	-	0.10%	-
Corporate	AAA	1.61%	2.56%	0.81%	-
Corporate	AA	4.29%	0.91%	0.29%	-
Corporate	A	1.24%	0.48%	1.94%	-
Corporate	BBB	-	0.17%	0.94%	-
Corporate	Not Rated	-	0.05%	-	-
No Credit Exposure		0.07%	2.12%	3.86%	5.50%
		100.00%	100.00%	100.00%	100.00%

Custodial Credit Risk – Deposits

Treasury's policy with regard to custodial credit risk is to collateralize state deposits to the extent possible. The bond indentures governing the investment of tobacco revenue related bond proceeds does not establish policy with regard to custodial credit risk. At June 30, 2009, the State had the following uncollateralized and uninsured deposits:

	Amount (in thousands)
International Equity Pool	$ 34

Concentration of Credit Risk

At June 30, 2009, the funds invested in the Intermediate-term Fixed Income Pool, Broad Market Fixed Income Pool, and U.S. Treasury Pool had more than five percent of their State's investments in Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, and Resolution Funding Corporation as follows:

	Fair Value (in thousands)	Percent of Total Pool Investments
Intermediate-term Fixed Income Pool		
Federal Home Loan Mortgage Corporation	$ 705,507	10%
Federal National Mortgage Association	709,755	10%
Federal Home Loan Bank	670,836	10%
Broad Market Fixed Income Pool		
Federal Home Loan Mortgage Corporation	119,728	6%
Federal National Mortgage Association	648,314	32%
U.S. Treasury Fixed Income Pool		
Resolution Funding Corporation	10,170	6%

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. However, such prohibition does not apply to securities backed by the full faith and credit of the U.S. Government.

Foreign Currency Risk

The Commissioner of Revenue formally adopts asset allocation policies for each fund at the beginning of each fiscal year, some of which places policy limitations on the amount of international securities each fund is allowed to hold. The following policies were in place during FY 09 and invested assets included the following holdings at June 30, 2009, for the funds invested in the International Equity Pool:

	Policy	Actual
Alaska Children's Trust Fund	24% ± 5%	23.51%
Constitutional Budget Reserve Fund, Subaccount	19% ± 5%	20.85%
Exxon Valdez Settlement Investments	17% ± 5%	17.15%
Mental Health Trust Reserve	21% ± 5%	20.98%
Power Cost Equalization Endowment Fund	18% ± 5%	17.00%
Retiree Health Insurance Fund, Long Term Care	21% ± 4%	22.15%

At June 30, 2009, the funds invested in the International Equity Pool had exposure to foreign currency risk as follows:

Currency	Fair Value (in thousands)
Deposits:	
Euro Currency	$ (1)
Japanese Yen	34
Pound Sterling	(33)
	-
Investments - International Equity:	
Canadian Dollar	2,500
Danish Krone	1,864
Euro Currency	63,694
Hong Kong Dollar	1,525
Japanese Yen	32,508
Pound Sterling	42,378
Singapore Dollar	3,729
Swedish Krona	2,349
Swiss Franc	18,181
	168,728
Total	$ 168,728

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

The International Equity Pool investment income included the following at June 30, 2009:

Net Realized Gain on Foreign currency	$ 97,406
Net Realized Gain (Loss) on Foreign Exchange Contracts	(21,130)

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, 2009 the International Equity Pool had no outstanding contracts. The International Equity Pool had no unrealized gains (losses) with respect to forward contracts at June 30, 2009.

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 Defined Benefit Pension and Health Care Plans as well as the following Defined Contribution Retirement Plans the ARMB has fiduciary responsibility for: Occupational Death and Disability Plan, Retiree Medical Plan, and Health Reimbursement Arrangement Plan. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the Defined Contribution Retirement Participant Directed Pension Plan.

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. Specifically, the High Yield Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Broad Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Alaska Retirement Fixed Income Pool, Treasury Inflation Protected Securities Pool, Real Estate Investment Trust Pool and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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, Alaska 99811-0405 or at http://www.revenue.state.ak.us/treasury.

Deposits and investments at June 30, 2009 are as follows:

	Fair Value (in thousands)						
	Fixed Income Pools						
	Short-term	Retirement	High Yield	International	TIPS	Other	Total
Deposits	$ 548	$ (78)	$ -	$ 1,031	$ -	$ 10,387	$ 11,888
Short-term Investment Fund	-	-	15,765	970	-	25,090	41,825
Commercial Paper	10,994	-	-	-	-	-	10,994
Bridge Loans	-	-	7,519	-	-	-	7,519
U.S. Treasury Bills	62,032	-	-	-	-	-	62,032
U.S. Treasury Notes	-	243,408	-	-	51,238	-	294,646
U.S. Treasury Bonds	-	20,503	-	-	22,389	-	42,892
U.S. Government Agency	4,810	29,107	-	-	-	-	33,917
Foreign Government Bonds	-	-	-	116,469	-	-	116,469
Mortgage-backed	6,919	735,358	-	-	30	-	742,307
Other Asset-backed	21,904	10,350	1,907	-	-	-	34,161
Corporate Bonds	59,217	288,459	222,395	68,043	75	-	638,189
Convertible Bonds	-	-	1,122	-	-	-	1,122
Yankees:							
Government	-	16,822	-	-	-	-	16,822
Corporate	12,747	65,253	19,005	-	-	-	97,005
Fixed Income Pools:							
Equity	-	-	356	-	-	-	356
Emerging Markets Debt Pool	-	-	-	-	-	95,323	95,323
Domestic Equity Pool:							
Limited Partnership	-	-	-	-	-	214,456	214,456
Treasury Bills	-	-	-	-	-	3,530	3,530
Equity	-	-	-	-	-	3,867,776	3,867,776
International Equity Pool:							
Convertible Bonds	-	-	-	-	-	1,199	1,199
Equity	-	-	-	-	-	1,836,563	1,836,563
Emerging Markets Equity Pool	-	-	-	-	-	524,661	524,661
Private Equity Pool:							
Limited Partnerships	-	-	-	-	-	1,063,516	1,063,516
Absolute Return Pool:							
Limited Partnerships	-	-	-	-	-	548,424	548,424
Real Estate Pool:							
Real Estate	-	-	-	-	-	763,705	763,705
Commingled Funds	-	-	-	-	-	288,082	288,082
Limited Partnerships	-	-	-	-	-	273,655	273,655
Real Estate Investment Trust Pool:							
Equity	-	-	-	-	-	34,032	34,032
Energy Pool:							
Limited Partnerships	-	-	-	-	-	77,408	77,408
Farmland Pool:							
Agricultural Holdings	-	-	-	-	-	450,837	450,837
Farmland Water Pool:							
Agricultural Holdings	-	-	-	-	-	21,098	21,098
Timber Pool:							
Timber Holdings	-	-	-	-	-	155,619	155,619
Mortgages	-	-	-	-	-	9	9
Participant Directed:							
Pooled Investment Funds	-	-	-	-	-	3,538	3,538
Collective Investment Funds	-	-	-	-	-	72,954	72,954
Mutual Funds	-	-	-	-	-	32,321	32,321
Net Other Assets/(Liabilities)	(179)	(31,530)	6,376	2,568	742	5,956	(16,067)
Other Pool Ownership	(120,833)	69,129	-	-	94	51,610	-
Total Invested Assets	$ 58,159	$ 1,446,781	$ 274,445	$ 189,081	$ 74,568	$ 10,421,749	$ 12,464,783

Deposits and investments at June 30, 2009 are as follows (continued):

	Fair Value (in thousands)
	Total
Participant Ownership:	
Public Employees' Retirement System	$ 8,588,411
Teachers' Retirement System	3,745,877
Judicial Retirement System	104,988
National Guard and Naval Militia Retirement Trust Fund	25,507
Total	$ 12,464,783

Interest Rate Risk

Short-term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2009, the expected average life of individual fixed rate securities ranged from one day to six and one-half years and the expected average life of floating rate securities ranged from one day to eight years.

Other Defined Benefit Fixed Income Pools

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

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20 percent of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2009 was 4.30 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to ± 20 percent of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Index Constrained Index at June 30, 2009 was 4.24 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to ± 25 percent of the Citigroup Non-USD World Government Bond Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2009 was 6.46 years.

Through the ARMB's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to a band which may not exceed ± 20 percent of the average life of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2009 was 5.19 years.

At June 30, 2009, the effective duration of the Defined Benefit fixed income pools, by investment type, was as follows:

	Effective Duration (in years)			
	Retirement	High Yield	International	TIPS
Corporate Bonds	4.96	4.04	6.72	-
Convertible Bonds	-	1.45	-	-
Equity	-	3.64	-	-
Foreign Government Bonds	-	-	6.23	-
Mortgage-backed	3.50	-	-	0.10
Other Asset-backed	1.72	3.47	-	-
U.S. Treasury Bonds	14.18	-	-	9.57
U.S. Treasury Notes	4.95	-	-	3.11
U.S. Government and Agency Securities	5.48	-	-	-
Yankees				
Government	4.48	4.12	-	-
Corporate	10.52	-	-	-
Portfolio Effective Duration	4.16	3.68	3.34	5.06

Defined Benefit Common Trust Funds

The ARMB did not have a policy to limit interest rate risk for Common Trust Funds, ERISA Commingled Funds, or Mutual Funds.

Defined Contribution Pooled Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate eleven 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, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital Aggregate Bond Index. At June 30, 2009, the duration of the government, corporate debt, and mortgage-backed securities was 4.29 years, and the duration of the Barclays Capital Aggregate Bond Index was 4.30 years.
>
> The weighted average maturity of the money market portfolio was 61 days at June 30, 2009.

The ARMB does not have a policy with respect to these funds to limit interest rate risk for funds held in foreign currency, the custodian's short-term investment fund or commercial paper.

Defined Contribution Collective Investment Funds

The ARMB does not have a policy to limit interest rate risk for its collective investment funds. At June 20, 2009 the modified duration of collective investment funds that consisted solely of debt securities were as follows – T. Rowe Alaska Money Market Trust: 0.17 years, SSgA World Government Bond Ex-US Index: 6.64 years, SSgA Long US Treasury Bond Index: 11.97 years, SSgA TIPS Index: 7.97 years, Barclays Gov/Corp Bond Fund: 5.04 years, and the Barclays Intermediate Bond Fund: 3.50 years.

Credit Risk

Treasury's investment policy has the following limitations with regard to credit risk:

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

The ARMB's investment policy has the following limitations with regard to credit risk:

Retirement Fixed Income:

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.
Corporate debt securities must be investment grade.
Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.
No more than 40 percent of the portfolio's assets may be invested in investment grade corporate debt.
No more than 15 percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's Corporation or the equivalent by Moody's or Fitch.

International Fixed Income:

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.
Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

High Yield:

No more than 10 percent of the portfolio's assets may be invested in securities rated A3 or higher.
No more than 25 percent of the portfolio's assets may be invested in securities rated below B3.
No more than 5 percent of the portfolio's assets may be invested in unrated securities.
No more than 10 percent of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

The lower of any Standard & Poor's, Moody's or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher.

TIPS:

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.
Corporate debt securities must be investment grade.
No more than five percent of the portfolio's assets may be invested in investment grade corporate debt.
No more than five percent of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.
Corporate, 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, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity, International Equity and Emerging Markets Separate Accounts:

Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's or Fitch rating services.
Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's, or Fitch rating services.

The ARMB does not have a policy to limit the concentration of credit risk for the Common Trust Funds, Collective Investment Funds, ERISA Commingled Funds or Mutual Funds.

At June 30, 2009 invested assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

		Fixed Income Pools				
	Rating[1]	Short-term	Retirement	High Yield	International	TIPS
Commercial Paper	A-1	1.10%	-	-	-	-
Commercial Paper	Not Rated	5.05%	-	-	-	-
Bridge Loans	Not Rated	-	-	2.74%	-	-
Short Term Investment Fund	Not Rated	-	-	5.74%	-	-
U.S. Treasury Notes	AAA	-	16.82%	-	-	68.71%
U.S. Treasury Bills	AAA	34.70%	-	-	-	-
U.S. Treasury Bonds	AAA	-	1.42%	-	-	30.02%
U.S. Government Agency	AAA	2.69%	1.84%	-	-	-
U.S. Government Agency	Not Rated	-	0.17%	-	-	-
Mortgage-backed	AAA	3.46%	44.60%	-	-	0.14%
Mortgage-backed	A	0.11%	-	-	-	-
Mortgage-backed	BBB	0.18%	-	-	-	-
Mortgage-backed	Not Rated	0.30%	6.22%	-	-	-
Other Asset-backed	AAA	10.87%	0.47%	-	-	-
Other Asset-backed	AA	0.85%	0.13%	-	-	-
Other Asset-backed	A	0.35%	0.03%	-	-	-
Other Asset-backed	BBB	-	0.08%	-	-	-
Other Asset-backed	BB	-	-	0.18%	-	-
Other Asset-backed	CCC	-	-	0.47%	-	-
Other Asset-backed	Not Rated	-	-	0.04%	-	-
Corporate Bonds	AAA	19.33%	1.18%	-	22.58%	-
Corporate Bonds	AA	6.16%	2.48%	-	8.27%	-
Corporate Bonds	A	7.64%	9.15%	-	5.14%	-
Corporate Bonds	BBB	-	6.25%	6.33%	-	-
Corporate Bonds	BB	-	0.02%	32.31%	-	-
Corporate Bonds	B	-	-	29.42%	-	-
Corporate Bonds	CCC	-	-	9.11%	-	-
Corporate Bonds	C	-	-	0.16%	-	-
Corporate Bonds	D	-	-	0.66%	-	-
Corporate Bonds	Not Rated	-	0.86%	3.04%	-	-
Convertible Bonds	B	-	-	0.38%	-	-
Convertible Bonds	CCC	-	-	0.03%	-	-
Yankees:						
Government	AAA	-	0.46%	-	-	-
Government	BBB	-	0.24%	-	-	-
Government	Not Rated	-	0.46%	-	-	-
Corporate	AAA	1.61%	0.76%	-	-	-
Corporate	AA	4.29%	0.43%	-	-	-
Corporate	A	1.24%	2.13%	-	-	-
Corporate	BBB	-	1.09%	0.28%	-	-
Corporate	BB	-	-	2.85%	-	-
Corporate	B	-	-	2.78%	-	-
Corporate	CCC	-	-	0.34%	-	-
Corporate	CC	-	-	0.33%	-	-
Corporate	C		-	0.01%		
Corporate	D	-	-	0.30%	-	-
Corporate	Not Rated	-	0.10%	0.04%	-	-
Foreign Government Bonds	AAA	-	-	-	13.40%	-
Foreign Government Bonds	AA	-	-	-	10.57%	-
Foreign Government Bonds	A	-	-	-	29.78%	-
Foreign Government Bonds	NA	-	-	-	7.85%	-
No Credit Exposure		0.07%	2.61%	2.46%	2.41%	1.13%
		100.00%	100.00%	100.00%	100.00%	100.00%

[1]Rating modifiers are not disclosed.

Custodial Credit Risk – Deposits

The ARMB does not have a policy in relation to custodial credit risk for deposits. At June 30, 2009, invested assets had the following uncollateralized and uninsured deposits (in thousands):

International Fixed Income Pool	$ 1,031
International Equity Pool	7,960
	$ 8,991

Foreign Currency Risk

The ARMB's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of countries represented in the Citigroup Non-USD World Government Bond Index and Mexico. In addition, the ARMB's asset allocation policy permits PERS to hold up to twenty-one percent of total investments in international fixed income.

The ARMB has no specific policy with regard to foreign currency risk relating to international or private equity. However, through its asset allocation policy, the ARMB limits Public Employees' Retirement System (PERS) total investment in the International Equity and Emerging Markets Pools to twenty-four percent of total PERS assets and limits PERS total investment in the Private Equity Pool to twelve percent of total PERS assets.

The ARMB has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. Nor did the ARMB have a policy regarding foreign currency risk in the Common Trust Funds, Collective Investment Funds, ERISA Commingled or Mutual Funds.

In addition, the ARMB's asset allocation policy limits total investments in international fixed income, international equity, emerging markets and private equity to the following:

Pension Fund	Fixed - Income	Global Equity Ex-U.S.	Private Equity Pool
Public Employee's Retirement System	21%	24%	12%
Teachers' Retirement System	21%	24%	12%
Judicial Retirement System	21%	24%	12%
Alaska National Guard and Naval Militia System	-	15%	-

At June 30, 2009, the Pension Funds had exposure to foreign currency risk with the following deposits:

	Amount (in thousands)	
Currency	International Fixed Income Pool	International Equity Pool
Australian Dollar	$ -	$ 62
Canadian Dollar	-	37
Danish Krone	-	944
Euro	301	4,056
Hong Kong Dollar	-	107
Japanese Yen	337	2,237
Mexican Peso	354	-
New Taiwan Dollar	-	42
New Zealand Dollar	-	23
Norwegian Krone	-	70
Pound Sterling	39	365
Singapore Dollar	-	1
Swedish Krona	-	11
Swiss Franc	-	1
Yuan Renminbi	-	4
	$ 1,031	$ 7,960

At June 30, 2009, the Pension Funds had exposure to foreign currency risk with the following investments (in thousands):

	International Fixed Income Pool		International Equity Pool	Private Equity Pool
Currency	Foreign Government	Corporate	Equity	Limited Partnerhsips
Australian Dollar	$ 14,835	$ -	$ 29,218	$ -
Brazilian Real	-	-	11,675	-
Canadian Dollar	-	-	31,095	-
Danish Krone	-	-	13,723	-
Euro	52,429	9,711	618,201	123,877
Hong Kong Dollar	-	-	66,177	-
Indonesian Rupiah	-	-	1,024	-
Japanese Yen	1,111	58,332	440,942	-
Mexican Peso	8,441	-	1,024	-
New Taiwan Dollar	-	-	10,928	-
New Zealand Dollar	-	-	2,147	-
Norwegian Krone	-	-	4,498	-
Polish Zloty	14,312	-	-	-
Pound Sterling	25,332	-	317,634	20,580
Singapore Dollar	-	-	13,257	-
South African Rand	-	-	3,835	-
South Korean Won	-	-	6,104	-
Swedish Krona	-	-	24,791	-
Swiss Franc	-	-	134,548	-
	$ 116,460	$ 68,043	$ 1,730,821	$ 144,457

At June 30, 2009, the Pension Funds had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled investment funds; therefore, no disclosure of specific currencies is made.

Concentration of Credit Risk

The ARMB's policy with regard to concentration of credit risk for the Retirement Fixed Income, International Fixed Income and High Yield Pools is to prohibit the purchase of more than five percent of the portfolio's assets in corporate bonds of any one company or affiliated group. The ARMB does not have a policy with regard to concentration of credit for the TIPS Pools.

At June 30, 2009, the Pension Funds Invested Assets did not have exposure to any one issuer greater than five percent of total Invested Assets.

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

The International Fixed Income and International Equity Pool's investment income includes the following at June 30, 2009 (in thousands):

Net Realized Gain/(Loss) on Foreign Currency	$	(13,514)
Net Unrealized Gain (Loss) on Foreign Currency		77
Net Realized Gain (Loss) on Foreign Exchange Contracts		6,750

The International Equity and International Fixed Income Pools include 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. At June 30, 2009 the International Equity Pool had one foreign currency forward contract which matured in 22 days. The Pension Funds had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, 2009 as follows (in thousands):

Contract Sales	$	2,839
Less: Fair Value		2,817
Net Unrealized Gains	$	22

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.

DEFERRED COMPENSATION

The State's Internal Revenue Code Section 457 Deferred Compensation Plan holds investments in several collective investment funds and an Interest Income Fund. At December 31, 2008, Deferred Compensation Plan investments totaled $442 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, Alaska 99811-0203 or at http://doa.alaska.gov/drb/.

Interest Rate Risk

Collective Investment and Money Market Funds

The ARMB contracts with external investment managers who maintain collective investment funds. Managers selected to manage investments for the Deferred Compensation Plan are subject to the provisions of the collective investment funds the ARMB has selected. In addition, the Deferred Compensation Plan maintains a balance in a commingled money market portfolio.

The ARMB does not have a policy to limit interest rate risk for the Collective Investment Funds or the commingled money market portfolio. These investments with their related weighted average maturities at December 31, 2008, are as follows:

	Fair Value (in thousands)		Weighted Average Maturity
Government/Credit Bond Fund	$	31,830	7.78 years
Intermediate Bond Fund		20,953	3.81 years
Bond Fund		119	4.07 years
Money Market Fund		504	52.35 days

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 2.81 years at December 31, 2008. The duration of the Barclays Capital Intermediate Aggregate Index was 2.71 years at December 31, 2008.
>
> Duration is a measure of interest rate risk. In the case of the Deferred Compensation Plan's constant duration synthetic investment contracts, duration is the fair value weighted average term to maturity using all fixed income securities underlying the contracts and their related cash flows.

The ARMB does not have a policy to limit interest rate risk for the Reserve. The balance in the Reserve is invested in the custodian's Short-term Investment Fund which has a weighted average maturity of 34 days at December 31, 2008.

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 Deferred Compensation Plan's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

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,
GNMA, FNMA, and FHLMC mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation, and
Commercial paper and other short–term debt obligations must be rated A-1 or equivalent.

At December 31, 2008, the investments underlying the synthetic investment contracts and the Reserve 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 Value (in thousands)		
Investment type	Rating	Underlying Synthetic Investment Contracts	Other	Total
Investments with credit exposure:				
Money Market Fund	Not Rated	$ -	$ 504	$ 504
Short-term Investment Fund	Not Rated	(1,969)	-	(1,969)
U.S. Government Agency	AAA	36,704	-	36,704
Mortgage-backed	AAA	8,797	-	8,797
Mortgage-backed	Not Rated	68,882	-	68,882
Other Asset-backed	AAA	3,610	-	3,610
Corporate Bonds	AAA	4,011	-	4,011
Corporate Bonds	AA	2,276	-	2,276
Corporate Bonds	A	15,336	-	15,336
Corporate Bonds	BBB	7,150	-	7,150
Yankees:				
Corporate	A	1,301	-	1,301
Corporate	BBB	1,163	-	1,163
Government	AAA	1,025	-	1,025
Government	AA	1,294	-	1,294
Government	A	150	-	150
Government	BBB	81	-	81
Deposits and Investments with no credit exposure:				
Deposits		2,704	-	2,704
Participant Directed				
Pooled Investment Funds		-	21,229	21,229
Collective Investment Funds		-	259,059	259,059
Total		$ 152,515	$ 280,792	$ 433,307

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 thirty-five 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 - Full Faith & Credit	100%	100%
U.S. Agencies Securities - Non-Full Faith & Credit	100%	100%
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 – Non Gov/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.

At December 31, 2008, the Deferred Compensation Plan had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

The ARMB does not have a policy to limit foreign currency risk associated with collective investment funds. The Deferred Compensation Plan has exposure to foreign currency risk in the International Equity and Global Balanced collective investment funds.

The ARMB's policy with regard to the Interest Income Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

The ARMB's policy with regard to pooled investments requires that all money market holdings be made in entities domiciled in the U.S. The ARMB has no policy with regard to other pooled investments.

SUPPLEMENTAL BENEFITS SYSTEM

The State's Supplemental Benefits System (SBS) holds investments in several collective investment funds, the State's internally managed Short-term Fixed Income Pool (under the fiduciary responsibility of the Commissioner of Revenue), a Stable Value Fund and wholly-owned Pooled Investment Funds. At January 31, 2009, SBS investments totaled $1.804 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, Alaska 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. The weighted average maturity of the money market portfolio was 43.87 days at January 31, 2009.

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 at the time of purchase. Floating rate securities are limited to three years in maturity or three years expected average life at the time of purchase. Treasury utilizes the actual maturity date for commercial paper and 12 month prepay speeds for other securities. At January 31, 2009, the expected average life of individual fixed rate securities ranged from one day to ten months and the expected average life of floating rate securities ranged from six days to five months.

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 3.02 years at January 31, 2009. The duration of the Barclays Capital Intermediate Aggregate Index was 2.87 years at January 31, 2009.
>
> 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 Short-term Investment Fund which had a weighted average maturity of 33 days at January 31, 2009.

Pooled Investment Funds

The ARMB contracts with an external investment manager who is given the authority to invest funds in a wholly-owned pooled environment to accommodate ten participant directed funds. Through the ARMB's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

> For government and corporate debt securities, duration is limited to ± 0.20 years of the Barclays Aggregate Bond Index. At January 31, 2009, the duration of the government and corporate debt securities was 3.70 years and the duration of the Aggregate Bond Trust was 3.79 years.
>
> 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 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.

SBS's Collective Investment Funds may lend assets or transfer securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agree to return the collateral for the same securities in the future. There is credit risk associated with the lending transactions. The risk exists that an issuer or other counterparty to an investment will not fulfill its obligations and a loss results from counterparty failure or default on a loaned security.

Treasury's investment policy limits credit risk in the Short–term Fixed Income Pool by limiting investments to instruments with a long–term credit rating of at least A3 or equivalent and instruments with a short–term credit rating of at least P-1 or equivalent. Treasury's investment policy further limits investments in institutional money market funds to those rated AAA. Treasury does not have a policy to limit credit risk associated with deposit accounts or investment funds maintained by the custodian.

The ARMB's investment policy has the following limitations with regard to credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the Reserve:

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

The ARMB's investment policy has the following limitations with regard to credit risk for wholly-owned pooled investments:

All government and corporate fixed income securities must be rated BBB- or better at time of purchase,
Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation mortgage-backed securities may be purchased even if they are not rated by all or any of these rating agencies as long as they are rated investment grade by T. Rowe's internal credit evaluation, and
Commercial paper and other short-term debt obligations must be rated A-1 or equivalent.

At January 31, 2009, 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):

		Fair Value (in thousands)				
Investment type	Rating	Short-term Fixed Income Pool	Underlying Synthetic Investment Contracts	Investment Loss Trust	Other	Total
Investments with credit exposure:						
Money market fund	Not rated	$ -	$ -	$ -	$ 5,126	$ 5,126
Short-term investment fund	Not rated	-	(1,732)	-	-	(1,732)
Commercial paper	Not rated	129	-	226	-	355
U.S. government agency	AAA	240	66,955	423	-	67,618
Mortgage-backed	AAA	49	12,438	87	-	12,574
Mortgage-backed	A	2	-	4	-	6
Mortgage-backed	Not rated	3	104,723	6	-	104,732
Other asset-backed	AAA	158	5,808	276	-	6,242
Other asset-backed	AA	1	256	2	-	259
Other asset-backed	A	12	66	21	-	99
Other asset-backed	BBB	2	232	4	-	238
Corporate bonds	AAA	30	7,285	52	-	7,367
Corporate bonds	AA	104	4,215	183	-	4,502
Corporate bonds	A	80	18,745	140	-	18,965
Corporate bonds	BBB	-	9,356	-	-	9,356
Corporate bonds	Not rated	8	-	13	-	21
Yankees:						
Corporate	AAA	10	-	18	-	28
Corporate	AA	39	462	69	-	570
Corporate	A	4	1,782	7	-	1,793
Corporate	BBB	-	1,598	-	-	1,598
Corporate	Not rated	9	-	15	-	24
Government	AAA	-	2,046	-	-	2,046
Government	AA	-	1,182	-	-	1,182
Government	A	-	181	-	-	181
Government	BBB	-	68	-	-	68
Deposits and investments with no credit exposure:						
Deposits		-	2,937	-	-	2,937
U.S. treasury bills		165	-	289	-	454
U.S. treasury notes		-	-	-	-	-
U.S. treasury bonds		-	-	-	-	-
Participant directed						
Pooled investment funds		-	-	-	1,148,210	1,148,210
Collective investment funds		-	-	-	388,418	388,418
Domestic equity		-	-	-	-	-
International equity		-	-	-	-	-
Total invested assets		1,045	238,603	1,835	1,541,754	1,783,237
Pool related net assets/(liabilities)		28	-	27	-	55
Total		$ 1,073	$ 238,603	$ 1,862	$ 1,541,754	$ 1,783,292

Custodial Credit Risk

The ARMB does not have a policy for custodial credit risk. At January 31, 2009, 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.

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%
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 – Non Gov/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 January 31, 2009, SBS had no exposure to a single issuer in excess of five percent of total invested assets.

Foreign Currency Risk

The ARMB does not have a policy to limit foreign currency risk associated with collective investment funds. SBS has exposure to foreign currency risk in the International Equity and the Global Balanced collective investment funds.

The ARMB's policy with regard to the Stable Value Fund is to require that all investments underlying a synthetic investment contract be denominated in U.S. dollars.

The ARMB's policy with regard to pooled investments requires that all money market holdings be made in entities domiciled in the U.S. The ARMB has no policy with regard to other pooled investments.

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

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

ALASKA PERMANENT FUND CORPORATION

APFC is managed by a six member board of trustees (the “Trustees”) 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 investments are reported at fair value in the financial statements. Unrealized gains and losses are reported as components of net income. 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 alternative investments that have no readily ascertainable fair value are determined by management using the fair value capital account balances nearest to the balance sheet date, adjusted for subsequent contributions, distributions and management fees. All alternative investments undergo an annual financial statement audit by independent auditors.

Directly owned real estate investments are reported at fair value based upon annual independent appraisals. Fair value for interim periods are based upon 10 year discounted cash flow models prepared by real estate advisors utilizing updated property level and market-based factors as appropriate. All directly owned real estate investments undergo an annual financial statement audit by independent auditors.

Securities transactions are recorded on the trade date that securities are purchased or sold.

Investment policy

The Trustees have established a long-term goal of achieving a five percent real rate of return on the investment portfolio. To achieve this target, the Trustees allocate the Fund’s investments among various asset classes. In order to allow for market fluctuations and to minimize transaction costs, the Trustees also have adopted acceptable ranges around the targets.

At June 30, 2009, the APFC's asset allocation policy (with acceptable ranges) is summarized as follows:

Domestic Equities		
Large Capitalization	21%	
Small Capitalization	5%	
Total Domestic Equities	26%	(± 6%)
International Equities		
Developed Markets	8%	
Emerging Markets	5%	
Total International Equities	13%	(± 3%)
Global Equities	14%	(± 4%)
Total Equities	53%	(± 10%)
Fixed Income		
Domestic Fixed Income	19%	(± 6%)
Non-Dollar Fixed Income	3%	(± 3%)
Total Fixed Income	22%	(± 5%)
Total Infrastructure	3%	(± 3%)
Total Real Estate	10%	(± 3%)
Total Private Equity	6%	(± 5%)
Total Absolute Return	6%	(± 3%)

In accordance with Alaska Statute 37.13.120, the Trustees have adopted regulations designating the types of assets eligible for investment. Those 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.

Interest Rate Risk

The APFC manages the Fund's exposure to interest rate risk by establishing effective duration guidelines in its fixed income investment policy. Duration, which is expressed as a number of years, 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 decreasing duration and the values of those investments declining. Similarly, falling interest rates are generally associated with increasing duration and investment values. 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.

The APFC's investment policy specifies an effective duration range for certain long-term fixed income mandates (based on the respective portfolio's benchmark index duration) as follows: core plus fixed income portfolios 80%-120%; non-domestic fixed income 50%-150%; and high yield fixed income 50%-200%. There is no duration policy for domestic core fixed income portfolios, but duration is reviewed often by investment managers, in comparison to relevant benchmarks.

For short-term debt investments, the APFC's cash management policy states that the weighted average day count cannot exceed 150 days, with a final maximum maturity of 14 months for non-securitized investments. The policy limits asset-backed securities held in cash management accounts to a maximum average life of 12 months at time of purchase.

At June 30, 2009, the Fund held fixed income investments with floating and variable interest rates, valued at $600,972 thousand. These fixed income investments were both domestic and non-domestic, and had current annual interest rates ranging from 0.37% to 11.25%.

Credit Risk

The APFC requires that its core fixed income managers invest in domestic bonds and non-domestic bonds that have an implied investment grade rating as defined by the Barclays Capital U.S. Aggregate Index and the Citigroup World Government Bond Index, respectively. Should the required ratings on an existing fixed income security fall below the minimum standards, the security must be sold within seven months. Certain non-core investment managers are allowed to invest a specified amount of funds in bonds rated below investment grade.

The APFC does not have an allocation to cash. Managers are encouraged to limit the amount of cash they hold, and most cash reflects transactions pending settlement. The APFC manages the aggregate cash position of all domestic equity managers and the internal fixed income portfolios in a Unitized Cash Fund (UCF). The UCF is primarily intended to serve as an efficient mechanism for investing daily transactional cash. UCF securities must be rated by either Moody’s or Standard & Poor’s equivalents of P-1 or A-1 for short-term investments. A second internal cash management account is maintained to invest cash balances needed for pending settlements of to-be-announced (TBA) mortgage securities in the internally-managed long term fixed income portfolio. The TBA Cash Management Account invests primarily in short-term asset-backed structured products. Such securities must have a AAA rating for asset-backed bonds and either P-1 or A-1 for asset-backed commercial paper.

Custodial Credit Risk

The APFC generally requires that all investment securities at custodian banks be held in the name of the Fund. For non-domestic securities held by sub-custodians, the APFC is indemnified against custodial credit risk by its primary custodian.

Concentration of Credit Risk

The Fund manages its concentration of credit risk by following its asset allocation resolution, and by diversifying investments among managers with varying investment styles and mandates. The APFC’s policy for mitigating this risk of loss for fixed income and equity investments is to ensure compliance with Trustee resolutions 09-08 and 09-02, respectively, as well as investment manager contracts. Those resolutions and contracts specify concentration limits for issuers and types of investments, and place substantial limits on the use of leverage. Managers are not permitted, under any circumstances, to encumber assets beyond those held in each separate account that is managed.

Foreign Currency Risk

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.

Forward Exchange Contracts

Fund managers hold a variety of forward currency contracts in their trading activities, and in the management of their 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 in the fair value of investments at the time the contract is closed or matures, and are determined based on the difference between the contract rate and the market rate at the time of maturity or closing. Unrealized gains and losses are also included in the net increase in the fair value of investments, and are calculated based on the difference between the contract rate and a forward market rate determined as of the balance sheet date.

A minority of forward exchange contracts are intended to manage, rather than neutralize, foreign currency fluctuations. Certain managers seek to control foreign exchange effects 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 of the market’s currency.

Equity Index Futures

Certain equity managers for the Fund are permitted to buy and sell equity index futures. The net notional fair values of such futures, but not the gross cost nor the gross fair value, are reported on the balance sheet of the Fund. Realized gains and losses on futures, as well as the net notional unrealized gains and losses, are included in the net increase or decrease in the fair value of investments.

Cash and Temporary Investments

All short-term investments bear interest at competitive rates and are summarized as follows at June 30, 2009 (in thousands):

U.S. Treasury Bills	$ 3,343
Cash and Pooled Funds	2,382,215
Total Cash and Temporary Investments	$ 2,385,558

U.S. treasury bills are explicitly guaranteed by the U.S. government and are not rated. At June 30, 2009, uninvested, uninsured cash of $53,490 thousand was held at the custodian or sub-custodian banks, mainly in interest bearing accounts. All remaining cash balances either were insured or were invested in short-term pooled investment funds, which were rated AAA by Standard & Poor's.

Marketable Debt Securities

Marketable debt securities at June 30, 2009, are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Treasury Notes/Bonds	$ 1,193,909	$ 1,182,206	$ (11,703)
Mortgage-backed Securities	1,458,521	1,492,633	34,112
Other Federal Agencies	356,325	361,046	4,721
Corporate Bonds	3,358,475	3,115,422	(243,053)
Non-domestic Bonds	1,094,072	1,119,314	25,242
Total Marketable Debt Securities	$ 7,461,302	$ 7,270,621	$ (190,681)

Marketable Debt Credit Ratings

In order 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 a core mandate, issues falling below the minimum standards are required to be sold within seven months of the downgrade date. Account managers with non-core mandates are allowed to hold positions in assets with below investment grade ratings (high yield bonds, rated BB+ or below) based on the terms of Trustee resolutions, as further limited by the manager's contract. For purposes of this note, if credit ratings differ among Nationally Recognized Statistical Rating Organizations (NRSRO), the rating with the highest degree of risk (the lowest rating) is used.

At June 30, 2009, the Fund's credit ratings for its marketable debt securities are as follows (in thousands):

NRSRO Quality Rating	Domestic	Non-domestic	Total Fair Value	Percent of Holdings
AAA	$ 1,049,558	$ 695,039	$ 1,744,597	24.00%
AA	392,264	235,118	627,382	8.63%
A	783,944	124,211	908,155	12.49%
BBB	525,680	29,175	554,855	7.63%
BB	292,417	31,699	324,116	4.46%
B	208,428	2,575	211,003	2.90%
CCC	144,097	673	144,770	1.99%
CC	17,820	389	18,209	0.25%
C	7,136	435	7,571	0.10%
D	9,508	-	9,508	0.13%
Total fair value of rated debt securities	3,430,852	1,119,314	4,550,166	62.58%
Not rated – Term Loans	11,887	-	11,887	0.16%
Not rated – Publicly Traded Debt	11,600	-	11,600	0.16%
U.S. government explicitly backed by the U.S. government	1,409,351	-	1,409,351	19.39%
U.S. government implicitly backed by the U.S. government	1,287,617	-	1,287,617	17.71%
Total fair value debt securities	$ 6,151,307	$ 1,119,314	$ 7,270,621	100.00%

Marketable Debt Duration

In order 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 an established benchmark. At fiscal year end, the aggregate holdings of debt securities were within the required duration range in relation to such benchmarks. At June 30, 2009, the effective duration by investment type, based on fair value, is as follows:

	Percent of Bond Holdings	Duration
Domestic Bonds		
Mortgages and Other Structured Products	37.20%	3.33
Corporate Bonds	35.79%	5.68
Treasuries	19.26%	4.4
Government Sponsored	5.08%	4.8
Supra/Sovereign	2.67%	5.56
Total Domestic Bonds	100.00%	4.51
Non-domestic Bonds		
Government and Agency	90.12%	6.35
Corporate and Other Non-government	9.88%	3.65
Total Non-domestic Bonds	100.00%	6.08

Preferred and Common Stock

Investments in preferred and common stock are generally held by the APFC's custodian banks in the name of the Fund. At June 30, 2009 the only exception to this was a commingled fund, Emerging Markets Growth Fund (EMGF), managed by Capital International, Inc. Commingled fund investments are held by the custodian bank of the fund manager on behalf of fund investors.

The fair values of the Fund's shares in the EMGF were $788,281 thousand as of June 30, 2009, and are included in the non-domestic values shown below. The value of the Fund's investment in the commingled fund represented approximately 7.3 percent of the total EMGF value at June 30, 2009.

The equity extension strategy differs from the traditional long-only equity strategy in that up to 50 percent of the account portfolio may be placed in short positions. These portfolios were liquidated during the year ended June 30, 2009.

Preferred and common stocks at June 30, 2009 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Domestic	$ 10,575,022	$ 9,921,151	$ (653,871)
Non-domestic	5,910,535	5,310,260	(600,275)
Total preferred and common stock	$ 16,485,557	$ 15,231,411	$ (1,254,146)

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, 2009, the Fund's cash holdings and 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) (in thousands):

Foreign Currency	Cash	Public Equity	Debt	Private Equity	Total Foreign Currency Exposure
Australian Dollar	$ 1,695	$ 210,753	$ 13,907	$ -	$ 226,355
Bermudian Dollar	-	169	-	-	169
Brazilian Real	(2,964)	65,199	11,998	-	74,233
Canadian Dollar	1,777	209,083	-	-	210,860
Chinese Yuan Renminbi	-	367	-	-	367
Colombian Peso	-	-	7,438	-	7,438
Czech Koruna	696	21,389	35	-	22,120
Danish Krone	274	36,776	58,595	-	95,645
Egyptian Pound	-	3,951	-	-	3,951
Euro	14,317	1,395,273	712,060	85,491	2,207,141
Hong Kong Dollar	798	262,551	-	-	263,349
Hungarian Forint	-	6,074	-	-	6,074
Indian Rupee	265	47,933	-	-	48,198
Indonesian Rupiah	7	1,522	1,244	-	2,773
Israeli Shekel	-	7,571	390	-	7,961
Japanese Yen	3,750	855,535	170,233	-	1,029,518
Malaysian Ringgit	-	3,738	-	-	3,738
Mexican Peso	6	19,641	9,227	-	28,874
New Zealand Dollar	111	1,278	-	-	1,389
Norwegian Krone	342	29,050	-	-	29,392
Philippine Peso	2	1,068	-	-	1,070
Polish Zloty	-	4,934	12,568	-	17,502
Pound Sterling	4,088	854,056	89,401	21,846	969,391
Romanian Leu	75	-	-	-	75
Singapore Dollar	282	52,675	-	-	52,957
South African Rand	2	40,674	-	-	40,676
South Korean Won	(66)	72,593	1,331	-	73,858
Swedish Krona	515	70,469	30,087	-	101,071
Swiss Franc	300	321,507	-	-	321,807
Taiwan Dollar	2,575	80,762	-	-	83,337
Thai Baht	167	14,029	855	-	15,051
Turkish Lira	57	30,423	19,357	-	49,837
Uruguayo Peso	-	-	1,761	-	1,761
Ukrainian Hryvna	3	450	-	-	453
Total foreign currency exposure	$ 29,074	$ 4,721,493	$ 1,140,487	$ 107,337	$ 5,998,391

Cash amounts in the schedule above include receivables, payables, 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.

Real Estate

The APFC invests Fund assets in various forms of real estate, generally directly owned real estate interests, real estate title-holding entities, real estate investment trusts, real estate operating companies or other entities whose assets consist primarily of real property. The APFC invests Fund assets in direct real estate through its ownership of interests in corporations, limited liability companies, and partnerships that own title to the real estate. External real estate management firms administer the Fund's directly owned real estate investments. Real estate investments are recorded in the financial statements at fair value.

Real estate investments at June 30, 2009 are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Real estate investment trusts	$ 208,615	$ 156,165	$ (52,450)
Alaska residential mortgages	36	36	-
Directly owned real estate -			
Retail	631,842	1,027,055	395,213
Office	1,009,420	942,494	(66,926)
Industrial	243,032	237,229	(5,803)
Multifamily	1,027,634	1,001,068	(26,566)
Total real estate	$ 3,120,579	$ 3,364,047	$ 243,468

Alternative Investments

Alternative investments include absolute return strategies, distressed debt, private equity and infrastructure.

Absolute return strategies are investments in specialized funds with low market correlation. The Fund's absolute return strategies are managed through five distinct portfolios, each of which has the Fund as the only limited partner and investor ("fund-of-one"). External investment management services are provided by each fund-of-one general partner. Absolute return strategies invest in a diversified portfolio of underlying limited partnership interests or similar limited liability entities. The Fund obtains fair value estimates for its partnership interests from each fund-of-one general partner, which are subject to annual independent audits. Many absolute return investments do not have readily ascertainable fair values and may be subject to withdrawal restrictions and/or additional expenses upon early withdrawal of invested funds.

Distressed debt investments are held through a limited partnership, which invests in distressed debt type commingled limited liability funds. These investments are funded over time, as opportunities arise.

Private equity investments involve the purchase of limited partnership interests which 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 limited partnership interests which are diversified by geography and strategy. This investment type is characteristically funded slowly over time as opportunities are identified by the external advisors and underlying general partners. General partners provide the Fund with fair value estimates of private equity investments utilizing the most current information available. Fair value estimates are further reviewed by the external advisor and are subject to annual audits.

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 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 makes commingled infrastructure investments through limited partnership agreements. Infrastructure investment managers provide periodic fair value estimates, which are subject to annual independent audits.

Alternative investments at June 30, 2009, are summarized as follows (in thousands):

	Cost	Fair Value	Unrealized Gains/(Losses)
Absolute return strategy	$ 1,817,452	$ 1,787,231	$ (30,221)
Private equity	865,246	705,097	(160,149)
Infrastructure	379,596	373,078	(6,518)
Distressed Debt	350,146	278,648	(71,498)
Total alternative investments	$ 3,412,440	$ 3,144,054	$ (268,386)

As of June 30, 2009, the APFC, on behalf of the Fund, had outstanding private equity, infrastructure and distressed debt investment commitments of approximately $1.2 billion, $437 million and $140 million, respectively.

Alaska Certificates of Deposit

The APFC is authorized by State regulations and Trustee resolution 09-04, to invest Fund assets in certificates of deposit or the equivalent instruments of banks, savings and loan associations, mutual savings banks and credit unions doing business in Alaska. Collateral securing these investments is either letters of credit from the Federal Home Loan Bank or pooled mortgage securities issued by U.S. government sponsored agencies.

Securities Lending

Under State regulation 15 AAC 137.510, the APFC is authorized to enter into securities lending transactions on behalf of the Fund. The APFC, through an agreement with the Bank of New York Mellon (the Bank), lends marketable debt and equity securities. These loans are fully collateralized with cash or U.S. government guaranteed marketable securities at not less than 102 percent of the fair value of the loaned securities for domestic securities and 105 percent of the fair value for non-domestic loaned securities. The APFC is able to sell any securities out on loan. Upon borrower default, the Bank may hold cash collateral or sell non-cash collateral. The APFC is protected from credit risk associated with the lending transactions through indemnification by the Bank against any loss resulting from counterparty failure, loss resulting from the reinvestment of collateral, default on collateral investments, or failure to return loaned securities.

Cash collateral received for securities on loan, which is required to be reported on the balance sheet of the Fund, is invested by the Bank in the name of the Fund. As of June 30, 2009, such investments were in overnight repurchase agreements, and had a weighted-average maturity of one day. The average term of the loans was also one day. At June 30, 2009, the value of securities on loan and related collateral is as follows (in thousands):

Fair Value of Securities on Loan	$ 2,004,201
Cash Collateral	2,084,425

The Fund receives 80 percent of earnings derived from securities lending transactions, and the Bank retains 20 percent. During the year ended June 30, 2009, there were no losses incurred as a result of securities lending transactions. The Fund received income of $11,939 thousand from securities lending for the year ended June 30, 2009.

Investment Income by Source

Investment income during the year ended June 30, 2009 is summarized as follows (in thousands):

Interest	
Domestic Marketable Debt Securities	$ 383,405
Non-domestic Marketable Debt Securities	40,134
Alaska Certificates of Deposit	3,128
Short-term Domestic and Other	7,945
Distressed Debt, Net of Fees	(2,916)
Total Interest	$ 431,696
Dividends	
Domestic Stocks	$ 163,913
Non-domestic Stocks	220,557
Total Dividends	$ 384,470
Real Estate and Other Income	
Directly Owned Real Estate Interest	$ 2
Directly Owned Real Estate Net Rental Income	161,603
Real Estate Investment Trust Dividends	17,591
Absolute Return Management Expenses, Net of Dividend and Interest Income	(20,440)
Infrastructure Fees, Net of Dividends and Interest	(25,151)
Private Equity Management Expenses, Net of Dividend Income	(5,840)
Class Action Litigation Income	4,518
Loaned Securities, Commission Recapture and Other Income	12,635
Total Real Estate and Other Income	$ 144,918

Foreign Exchange Contracts and Off-Balance Sheet Risk

Certain asset managers for the APFC enter into foreign currency forward exchange contracts (FX forward contracts) to buy and sell, on behalf of the Fund, specified amounts of foreign currencies at specified rates and specified future dates for the purpose of managing or optimizing foreign currency exposure. The maturity periods for outstanding contracts at June 30, 2009 ranged between 8 and 140 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, 2009 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 fiscal year ended June 30, 2009 are summarized as follows (in thousands):

Face Value of FX Forward Contracts	$ 2,295,286
Net FX Forward Contracts (Payable)/Receivable	409
Fair Value of FX Forward Contracts	$ 2,295,695
Unrealized Gains	$ 11,411
Realized Losses	(990)
Net Increase in Fair Value of FX Forward Contracts	$ 10,421

Certain equity investment managers for the Fund are permitted to trade in equity index futures. Equity index futures are traded in both domestic and non-domestic markets based on an underlying stock exchange value. Equity 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 the fiscal year 2009 is summarized as follows (in thousands):

Face Value of Equity Index Futures	$ 90,285
Net Unrealized Loss on Futures	(1,181)
Fair Value of Equity Index Futures	$ 89,104
Unrealized Gains	$ 3,202
Realized Losses	(11,369)
Net Decrease in Fair Value of Futures	$ (8,167)

The face value of FX forward contracts and futures shown in this schedule is not required to be included in the balance sheet of the Fund. All other balance and activity amounts shown above are included in the financial statements of the Fund.

NOTE 5 – CAPITAL ASSETS

PRIMARY GOVERNMENT

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

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

	Governmental Activities		Business-type Activities	
Capital Asset	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
Equipment/Software	100,000	3-60	5,000	5-10

State of Alaska art, library reserve, and museum collections that are considered inexhaustible, in that their value does not diminish over time, are not capitalized. These assets are held for public exhibition, education, or research rather than financial gain, 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, 2009, are as follows (in millions):

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 754	$ 43	$ -	$ 797
Construction in progress	1,372	537	(540)	1,369
Total capital assets not being depreciated	2,126	580	(540)	2,166
Capital assets being depreciated:				
Buildings	1,255	325	(24)	1,556
Equipment	778	82	(22)	838
Infrastructure	5,161	420	-	5,581
Total capital assets being depreciated	7,194	827	(46)	7,975
Less accumulated depreciation for:				
Buildings	(447)	(29)	-	(476)
Equipment	(367)	(42)	18	(391)
Infrastructure	(2,951)	(260)	-	(3,211)
Total accumulated depreciation	(3,765)	(331)	18	(4,078)
Total capital assets being depreciated, net	3,429	496	(28)	3,897
Capital assets, net	$ 5,555	$ 1,076	$ (568)	$ 6,063

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 Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 30	$ -	$ -	$ 30
Construction in progress	242	165	(178)	229
Total capital assets not being depreciated	272	165	(178)	259
Capital assets being depreciated:				
Buildings	632	119	-	751
Equipment	59	11	(1)	69
Infrastructure	585	45	-	630
Total capital assets being depreciated	1,276	175	(1)	1,450
Less accumulated depreciation for:				
Buildings	(183)	(21)	-	(204)
Equipment	(42)	(3)	1	(44)
Infrastructure	(268)	(20)	-	(288)
Total accumulated depreciation	(493)	(44)	1	(536)
Total capital assets being depreciated, net	783	131	-	914
Capital assets, net	$ 1,055	$ 296	$ (178)	$ 1,173

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), 98.5 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	$ 4
Education	9
Health and Human Services	11
Law and Justice	3
Natural Resources	2
Public Protection	6
Transportation	274
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.	22
Total Depreciation Expense – Governmental Activities	$ 331
Business-type Activities	
Enterprise	$ 44

DISCRETELY PRESENTED COMPONENT UNITS

The estimated useful lives of capital assets range from 4 to 50 years. The following table summarizes net capital assets reported by the discretely presented component units at June 30, 2009 (in millions):

	Beginning Balance Restated	Additions	Deletions	Ending Balance
Capital assets not being depreciated:				
Land	$ 69	$ 1	$ -	$ 70
Library, media, and museum collections	56	1	-	57
Construction in progress	300	187	(290)	197
Total capital assets not being depreciated	425	189	(290)	324
Capital assets being depreciated/depleted:				
Land	4	-	-	4
Buildings	1,293	60	-	1,353
Equipment	413	68	(24)	457
Infrastructure	1,011	180	-	1,191
Total capital assets being depreciated/depleted	2,721	308	(24)	3,005
Less accumulated depreciation/depletion for:				
Buildings	(615)	(50)	-	(665)
Equipment	(244)	(30)	23	(251)
Infrastructure	(375)	(46)	-	(421)
Total accumulated depreciation/depletion	(1,234)	(126)	23	(1,337)
Total capital assets being depreciated/depletion, net	1,487	182	(1)	1,668
Capital assets, net	$ 1,912	$ 371	$ (291)	$ 1,992

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

The beginning balance amount for component units includes reclassification activity. The Alaska Railroad Corporation had a reclassification of infrastructure to equipment, and the Alaska Energy Authority had a reclassification of infrastructure into construction in progress and equipment.

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 09 totaling $1,257 thousand and $1,080 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.

Short-term debt activity for the primary government for the fiscal year ended June 30, 2009 is as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Bond Anticipation Notes	$ -	$ 2,337	$ 2,337	$ -

LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for the fiscal year ended June 30, 2009 (in thousands):

Governmental Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	$ 443,341	$ 854	$ 14,019	$ 430,176	$ 2,510
General obligation debt	375,808	173,611	29,400	520,019	30,502
Capital leases payable	168,652	271,901	29,707	410,846	20,678
Unearned & deferred revenue	260,559	30,171	4,911	285,819	262,744
Certificates of participation	56,990	-	5,575	51,415	5,810
Compensated absences	132,238	129,741	118,318	143,661	116,869
Claims and judgments	60,751	107,768	33,115	135,404	103,570
Pollution Remediation	48,739	-	5,609	43,130	5,555
Other noncurrent liabilities	4,125	367	1,236	3,256	2,582
Net pension obligation	138,423	-	138,423	-	-
Total	$ 1,689,626	$ 714,413	$ 380,313	$ 2,023,726	$ 550,820

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, special revenue and internal service 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.

Business-type Activities	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Revenue bonds payable	$ 617,465	$ 50,001	$ 84,573	$ 582,893	$ 6,085
Unearned & deferred revenue	4,909	-	1,307	3,602	3,602
Compensated absences	3,875	571	101	4,345	3,396
Pollution Remediation	1,518	-	-	1,518	75
Other noncurrent liabilities	2,647	-	2,123	524	-
Net pension obligation	4,326	-	4,326	-	-
Total	$ 634,740	$ 50,572	$ 92,430	$ 592,882	$ 13,158

B. GENERAL OBLIGATION BONDS AND REVENUE BONDS

GENERAL OBLIGATION BONDS

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

The full faith, credit, and resources of the state are pledged to secure payment of general obligation bonds. As of June 30, 2009, the following were the general obligation bond debt outstanding (in millions):

Year Ending June 30	Principal	Interest	Total
2010	$ 27.1	$ 21.8	$ 48.9
2011	32.0	21.8	53.8
2012	35.2	20.2	55.4
2013	36.6	18.4	55.0
2014	38.1	16.6	54.7
2015-2019	147.4	62.0	209.4
2020-2024	121.3	30.8	152.1
2025-2029	52.9	9.9	62.8
2030-3034	12.2	0.3	12.5
Total debt service requirements	502.8	$ 201.8	$ 704.6
Unamortized bond premium	17.2		
Total principal outstanding	$ 520.0		

The General Obligation Bonds Series 2003A were issued for the purpose of paying $235,215,500 of the cost of design, construction and major maintenance of educational and museum facilities and for the purpose of paying $123,914,500 of the costs of State transportation projects. The Series 2003B Bonds were issued for the purpose of paying $102,805,000 of the costs of State transportation projects. The Series 2009A Bonds were issued for the purpose of paying $165,000,000 of the costs of State transportation projects.

REVENUE BONDS

As of June 30, 2009, the following were the revenue bonds outstanding (in millions):

	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2010	$ 2.5	$ 22.4	$ 6.1	$ 28.5
2011	4.8	21.9	21.7	27.8
2012	11.0	21.7	22.8	26.7
2013	11.7	21.3	23.9	25.5
2014	12.6	20.9	25.1	24.3
2015-2019	55.8	96.9	137.7	101.9
2020-2024	48.3	88.0	170.1	63.6
2025-2029	46.1	79.2	142.3	21.7
2030-3034	49.2	72.8	32.2	1.3
2035-2039	63.0	65.4	-	-
2040-2044	85.9	55.9	-	-
2045-2049	54.2	19.0	-	-
Total debt service requirements	445.1	$ 585.4	581.9	$ 321.3
Unamortized bond (discounts)/premiums	(9.3)		1.0	
Deferred amount on refunding	(7.9)		-	
Plus accreted value	2.3		-	
Total principal outstanding	$ 430.2		$ 582.9	

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 Assets.

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, 2009 includes $387.4 million in principal, $557.8 million in interest, $9.4 million in unamortized discount, $7.9 million deferred amount on refunding, and $2.3 million in accreted value on the Series 2006B and Series 2006C Bonds. The economic gain from the refunding was $12.6 million. At June 30, 2009, $162.4 million in NTSC revenue bonds were outstanding and considered defeased.

Alaska Sport Fishing Revenue Bonds

The State of Alaska Sport Fishing (SF) 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 faith and credit to the payment of the bonds. Sport Fishing revenue bond total at year end includes $57.7 million in principal, $27.6 million in interest, and $.1 million in unamortized premium.

International Airports Revenue Bonds

The business activities revenue bonds include bond issuances by the International Airports Fund (IAF). Gross revenues derived from the operation of the international airports at Anchorage and Fairbanks are pledged to secure the payment of principal and interest on International Airports revenue bonds. All bonds authorized by the Alaska legislature have been issued. This debt is reported in the Business-type Activities column of the Government-wide Statement of Net Assets. The

IAF refunded the 2006C variable rate debt by issuance of its 2009A variable rates debt in January 2009. IAF recognized an economic gain of $166 thousand resulting from the refunding. At June 30, 2009, $15 million in International Airports Revenue Bonds were outstanding and considered defeased. Total bond interest arbitrage rebate liability was $524 thousand at June 30, 2009.

C. CAPITAL AND OPERATING LEASES

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

Governmental Activities	Certificates of Participation		
Year Ending June 30	Principal	Interest	Total
2010	$ 5.8	$ 2.2	$ 8.0
2011	6.0	2.0	8.0
2012	6.2	1.7	7.9
2013	6.5	1.5	8.0
2014	3.9	1.1	5.0
2015-2019	18.9	3.1	22.0
2020-2024	4.1	0.3	4.4
Total	$ 51.4	$ 11.9	$ 63.3

Leases at June 30, 2009 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, 2009 include the following (in thousands):

	Governmental Activities	Business-Type Activities
Buildings	$ 651,921	$ -
Equipment	19,189	-
Less: Accumulated Depreciation	(260,264)	-
	$ 410,846	$ -

D. CERTIFICATES OF PARTICIPATION

The State has lease purchase agreements funded through certificates of participation (COPs). These leases are for the purchase of buildings. Third-party leasing companies assigned their interest in the lease to underwriters, which issued certificates for the funding of these obligations. The COPs represent an ownership interest of the certificate holder in a lease purchase agreement. While the State is liable for lease payments to the underwriters, the State is not liable for payments to holders of the certificates.

The following schedule presents future minimum payments as of June 30, 2009 (in millions):

Governmental Activities	Certificates of Participation		
Year Ending June 30	Principal	Interest	Total
2010	$ 5.8	$ 2.2	$ 8.0
2011	6.0	2.0	8.0
2012	6.2	1.7	7.9
2013	6.5	1.5	8.0
2014	3.9	1.1	5.0
2015-2019	18.9	3.1	22.0
2020-2024	4.1	0.3	4.4
Total	$ 51.4	$ 11.9	$ 63.3

E. DISCRETELY PRESENTED COMPONENT UNITS

Debt service requirements are (in millions):

Year Ending June 30	Principal	Interest	Total
2010	$ 192.2	$ 195.8	$ 388.0
2011	174.7	189.4	364.1
2012	184.6	182.2	366.8
2013	176.0	174.7	350.7
2014	174.1	167.0	341.1
2015-2019	757.7	728.6	1,486.3
2020-2024	716.4	557.9	1,274.3
2025-2029	694.7	419.8	1,114.5
2030-3034	658.3	269.0	927.3
2035-2039	594.3	117.4	711.7
2040-2044	282.2	18.0	300.2
2045-2049	19.4	3.3	22.7
Total debt service requirements	$ 4,624.6	$ 3,023.1	$ 7,647.7
Unamortized (discounts)/premiums	31.2		
Unamortized swap termination penalty	(21.7)		
Deferred amount on refunding	(24.4)		
Plus accreted value	11.3		
Total principal outstanding	$ 4,621.0		

The preceding table does not include $531 thousand of Alaska Energy Authority arbitrage interest payable.

F. ALASKA HOUSING FINANCE CORPORATION DERIVATIVES

SWAP OBJECTIVES

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

SWAP TERMINATIONS AND REPLACEMENTS

From September to December of 2008, three of the agreements were terminated because of bankruptcy events associated with the counterparties. Because the swap documents require a market termination payment when a termination event occurs, AHFC made termination payments of $13,444 thousand and $8,737 thousand to the counterparties. After accepting bids, AHFC subsequently replaced all three of the swaps with three separate counterparties. The new swaps contained provisions that resulted in a much lower overall cost on the underlying debt than the original agreements.

SWAP PAYMENTS AND ASSOCIATED DEBT

As of June 30, 2009, debt service requirements of AHFC's outstanding variable-rate debt and net swap payments, assuming current interest rates remain the same for their terms, are displayed in the following schedule (in thousands). As interest rates vary, variable-rate bond interest payments and net swap payments will also vary.

Year Ending June 30	Outstanding Variable-Rate Debt Principal	Outstanding Variable-Rate Debt Interest	Swap Net Payment	Total Payment
2010	$ 5,465	$ 7,944	$ 28,584	$ 41,993
2011	5,710	7,918	28,348	41,976
2012	6,895	7,892	28,173	42,960
2013	12,825	7,842	27,899	48,566
2014	13,390	7,777	27,463	48,630
2015-2019	88,960	37,542	129,675	256,177
2020-2024	138,340	32,855	109,474	280,669
2025-2029	149,615	26,349	81,972	257,936
2030-3034	150,485	18,290	54,064	222,839
2035-2039	142,770	8,884	25,838	177,492
2040-2042	57,100	1,276	2,891	61,267
	$ 771,555	$ 164,569	$ 544,381	$ 1,480,505

SIGNIFICANT TERMS

The terms, fair values and credit ratings of AHFC's outstanding swaps as of June 30, 2009, are included in the following schedule (in thousands). Except for SC02B, where the debt has been redeemed, and E091AB, where the 2009 Series D Bonds have not yet been issued, the notional amounts of the swaps match the principal amounts of the associated debt issuances. These notional amounts amortize over a time period that approximates the payments AHFC would experience with a fixed-rate, level debt service schedule and are expected to follow scheduled or anticipated reductions in the associated bonds outstanding.

Related Bond Issue	Notional Amounts	Present Values	Fair Values	Effective Dates	Fixed Rate Paid	Variable Rate Received	SWAP Termination Date	Counterparty Credit Rating [6]
GP01A [1]	$ 63,860	$ 63,333	$ 527	12/1/2008	2.4530%	67% of 1M LIBOR [4]	12/1/2030	A+/Aa1
GP01B	78,040	89,946	(11,906)	8/2/2001	4.1427%	67% of 1M LIBOR	12/1/2030	A/A2
E021A1 [2]	48,275	49,624	(1,349)	10/9/2008	2.9800%	70% of 3M LIBOR	6/1/2032	AAA/Aa1
E021A2	120,000	122,661	(2,661)	10/9/2008	3.4480%	70% of 1M LIBOR	12/1/2036	A/A2
SC02B [3]	14,555	16,129	(1,574)	12/5/2002	3.7700%	70% of 1M LIBOR	7/1/2024	AA-/Aa1
SC02C	60,250	65,407	(5,157)	12/5/2002	4.3030%	SIFMA [5] + 0.115%	7/1/2022	AA-/Aa1
E071AB [2]	143,622	162,754	(19,132)	5/31/2007	3.7345%	70% of 3M LIBOR	12/1/2041	AAA/Aa1
E071BD	95,748	108,050	(12,302)	5/31/2007	3.7200%	70% of 3M LIBOR	12/1/2041	AA-/Aa1
E091A [2]	72,789	82,422	(9,633)	5/28/2009	3.7010%	70% of 1M LIBOR	12/1/2040	A+/A1
E091B	72,789	82,857	(10,068)	5/28/2009	3.7610%	70% of 3M LIBOR	12/1/2040	AAA/Aa1
E091AB	97,052	109,899	(12,847)	5/28/2009	3.7400%	70% of 3M LIBOR	12/1/2040	AA-/Aa1
Total	$ 866,980	$ 953,082	$ (86,102)					

1 Governmental Purpose Bonds
2 Home Mortgage Revenue Bonds
3 State Capital Project Bonds
4 London Interbank Offered Rate
5 Securities Industry and Financial Markets Municipal Swap Index
6 Standard & Poor's/Moody's

FAIR VALUE

Due to historically low interest rates, all but one of AHFC's interest rate swaps had negative fair values as of June 30, 2009. The negative fair values are countered by reductions in total interest payments required under the variable-rate bonds. Given that coupons on AHFC's variable-rate bonds adjust to changing interest rates, the associated debt does not have corresponding increases in fair value. The fair value amounts, obtained from mark to market statements from the respective counterparties 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 liabilities in the marketplace if a swap were to be terminated.

RISKS

Credit Risk

As of June 30, 2009, except for GP091A, which had a slightly positive fair value, AHFC was not exposed to credit risk on any outstanding swaps because the swaps had negative fair values. If interest rates rise and the swaps' fair values become 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 below specific levels. AHFC currently has swap agreements with five separate counterparties. Approximately 31 percent of the total notional amount of the swaps is held with one counterparty, who is rated AA-/Aa1. Another 31 percent of the total notional amount of the swaps is held with another counterparty who is rated AAA/Aa1. Of the remaining swaps, one counterparty is rated A/A2, another counterparty is rated A+/A1, and the remaining counterparty is rated A+/Aa1, approximating 23 percent, 8 percent, and 7 percent respectively, of the total notional amount of the swaps.

Basis Risk

All of the AHFC's variable-rate demand obligation bond coupon 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 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, 2009, SIFMA was 0.3500 percent and 1 month LIBOR was 0.31125 percent, resulting in a negative 0.03875 percent spread. The 3 month LIBOR was 0.60438 percent resulting in a positive .25438 percent spread between SIFMA and the 3 month LIBOR. The spread between LIBOR and SIFMA is at a historically low level but has fluctuated since the agreements became effective. As the spread increases, so does the anticipated cost savings from the swaps.

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. As the bonds mature the swaps will amortize. 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 at the unswapped portion of the debt. The SC02B swap no longer has rollover risk since the bonds have been redeemed. The E091AB swap has a greater notional amount than the outstanding amount of the bonds associated with it simply because the 2009 Series D Bonds will not be issued until August 26, 2009.

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, thus, AHFC would be exposed to interest rate risk. This risk is mitigated by the fact that the termination payment could be used to enter into an identical swap at the termination date of the existing swap. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

The Public Employees' Retirement System – Defined Benefit (PERS-DB)

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

Prior to this fiscal year, 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% of participating employees' covered payroll. This conversion was effective July 1, 2008. The unfunded pension liability of $130,365 for the primary government and $33,245 thousand for component units for the State of Alaska was removed in FY 09 and reported as a special item on the government-wide statements.

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 Alaska Retiree Healthcare Trust Fund. Senate Bill 123 was passed during the 2007 legislative session and created the Alaska Retiree Healthcare Trust (ARHCT).

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, 2009 the number of PERS participating employers was:

State of Alaska	3
Municipalities	77
School Districts	53
Other	27
Total Employers	160

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 contribution rates are determined using the entry age normal actuarial funding method. The PERS-DB plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. 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, 2009 was capped at 22 percent of compensation.

Alaska Statute 39.35.280 requires that additional state contributions are required each July 1 or as soon after July 1 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.

The state's contributions to PERS-DB for the fiscal years ended June 30, 2009, 2008 and 2007 were $224.6, $218.6, and $214.0 million respectively for the year. For the FY 09 contributions, $66.9 million was for pensions and $157.7 million was for postemployment benefits. The contributions were equal to the required contributions in FY 09, which is the first year PERS-DB was a cost-sharing plan.

Chapter 27 SLA 2008 appropriated $241.6 million from the General Fund to the PERS-DB as an additional state contribution for FY 09. The portion of this payment attributable to State of Alaska employers is $141,652 thousand, of which $46,718 thousand is for pensions and $94,934 thousand is for postemployment benefits.

Postemployment healthcare benefits are provided to retirees without cost for all employees first hired before July 1, 1986, and employees who are disabled or age 60 or older, regardless of initial hire dates. Employees first hired on or after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) may pay the full monthly premium if they are under age 60, and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Police and fire employees with 25 years of membership service also receive benefits at no premium cost.

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

Beginning July 1, 2007, ARHCT, a healthcare trust fund of the State was established. The 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 Teachers' Retirement System – Defined Benefit (TRS-DB)

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

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 Alaska Retiree Healthcare Trust Fund. Senate Bill 123 was passed during the 2007 legislative session and created the Alaska Retiree Healthcare Trust (ARHCT).

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, 2009 the number of participating employers was:

State of Alaska	2
School Districts	53
Other	3
Total Employers	58

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. Eligible employees contribute an additional one percent of their salary under the supplemental contribution provision. The TRS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percent of annual-covered payroll, are sufficient to accumulate assets to pay benefits when due. Employer contribution rates are determined using the entry age normal actuarial funding method. The TRS-DB Plan uses the level percentage of pay method to amortize the unfunded liability over a 25 year fixed period. The employer rate for the State of Alaska for the year ended June 30, 2009 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, 2009, 2008, and 2007 were $6.3, $6.0, and $12.5 million respectively, equal to the required contributions for each year. For the FY 09 contributions, $2.3 million was for pensions and $4.0 million was for postemployment benefits.

Alaska Statute 14.25.085 requires that additional state contributions are required each July 1 or as soon after July 1 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 Alaska Retirement Management Board (ARMB) for that fiscal year.

Chapter 27 SLA 2008 appropriated $206.3 million from the General Fund to the TRS-DB as an additional state contribution for FY 09. The portion of this payment attributable to State of Alaska employers is $15,250 thousand, of which $7,706 thousand is for pensions and $7,544 thousand is for postemployment benefits.

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

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

Beginning July 1, 2007, ARHCT, a healthcare trust fund of the State was established. The ARHCT is self-funded and provides major medical coverage to retirees of the 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 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.

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. Participants 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. Employer contribution rates are determined using the entry age normal actuarial funding method. The Plan amortizes the unfunded liability over a fixed 25-year period. The employer rate for the State of Alaska for the year ended June 30, 2009, was 36.2 percent of compensation. Total contributions for FY 09 were $4.7 million for pensions, and $1.3 million for postemployment benefits.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2004	$ 53,601	$69,505	$ (15,904)	77.1%	$6,530	(243.6%)
2006	77,311	111,820	(34,509)	69.1%	7,131	(484.0%)
2008	122,883	130,596	(7,713)	94.1%	10,462	(73.7%)

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

Senate Bill 123 was passed during the 2007 legislative session and which created the Alaska Retiree Healthcare Trust (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.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Funding Excess (FE)/(Unfunded Actuarial Accrued Liabilities) (UAAL)	Funded Ratio	Covered Payroll	FE/(UAAL) as a Percentage of Covered Payroll
2004	$ 16,855	$ 21,856	$ (5,001)	77.1%	$6,530	(76.6%)
2006	2,399	17,794	(15,395)	13.5%	7,131	(215.9%)
2008	18,353	19,941	(1,588)	92.0%	10,462	(15.2%)

The actuarial valuation as of June 30, 2008 set the contribution rates for the year ended June 30, 2009. The entry age normal method was used and the future gains/losses are amortized on a 25-year fixed period level percentage of pay, closed. The State of Alaska's net pension asset for FY 09 follows (in thousands):

	Pension	OPEB
Annual Required Contribution	$ 3,898	$ 567
Interest on net pension asset	(82)	(61)
Adjustment to annual required contribution	97	72
Annual Pension Cost (APC)/OPEB Cost (AOC)	3,913	578
Contributions Made	(4,727)	(1,411)
Decrease in Obligation	(814)	(833)
Net Pension Obligation/(Asset) Beginning of Year	(997)	(736)
Net Pension Obligation/(Asset) End of the Year	$ (1,811)	$ (1,569)

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

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
	2007	3,163	100.0%	(333)
	2008	3,892	117.1%	(997)
	2009	3,913	120.8%	(1,811)

OPEB	Year Ended June 30	APC	Percentage of AOC Contributed	Net OPEB Obligation/ (Asset)
	2008	$ 567	229.8%	$ (736)
	2009	$ 579	244.1%	$ (1,569)

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2004	$ 13,391	$ 19,749	$ (6,358)	67.8%
2006	15,588	25,458	(9,870)	61.2%
2008	28,371	28,905	(534)	98.2%

The actuarial valuation as of June 30, 2008 set the contribution rates for the year ended June 30, 2009. The entry age normal method was used and the future gains/losses are amortized on a 20-year fixed period level percentage of pay, closed. The State of Alaska's net pension obligation for FY 09 follows:

Annual Required Contribution	$ 2,415,077
Interest on net pension asset	(162)
Adjustment to annual required contribution	310
Annual Pension Cost (APC)	2,415,225
Contributions Made	(2,473,300)
Decrease in Net Pension Asset	(58,075)
Net Pension Obligation/(Asset) Beginning of Year	(1,969)
Net Pension Obligation/(Asset) End of the Year	$ (60,044)

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

Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
2007	$ 1,738	100.0%	$ (2)
2008	1,738	100.0%	(2)
2009	2,415	102.4%	(60)

The Elected Public Officers Retirement System (EPORS)

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

Plan members contribute seven percent of their compensation to EPORS. Employee contributions earn interest at 4.5 percent per annum, compounded semiannually. The remaining amount required to pay EPORS benefits is funded by legislative appropriation. The cost to the State for EPORS for the fiscal years ended June 30, 2009, 2008, and 2007 was $1.8 million, $1.8 million, and $1.7 million. FY09 total covered payroll was $1,816, and contributions received from employees totaled $127. EPORS is a closed plan and no separate financial statement is issued for EPORS. However, an actuarial valuation on EPORS was performed as of June 30, 2008.

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	$0	$16,265	$(16,265)	0.0%
2008	0	22,194	(22,194)	0.0%

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

Actuarial Valuation Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio
2006	$0	$2,983	$(2,983)	0.0%
2008	0	5,168	(5,168)	0.0%

Plan benefits for EPORS are not prefunded, but are paid when due. Enough money has been appropriated each year to pay the benefits as they come due; therefore, there is no net pension obligation at the end of the year. The entry age normal method was used and the actuarial funding method amortizes all unfunded liabilities over 25-years in level dollar payments.

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

Pension	Year Ended June 30	APC	Percentage of APC Contributed	Net Pension Obligation /(Asset)
	2007	1,281	100.0%	-
	2008	1,334	100.0%	-
	2009	1,408	100.0%	-

OPEB	Year Ended June 30	AOC	Percentage of AOC Contributed	OPEB Obligation /(Asset)
	2008	$ 413	100.0%	$ -
	2009	424	100.0%	$ -

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.

Systems	Fair Value
Public Employees' Retirement System	$8,513,336
Teachers' Retirement System	3,712,371
Judicial Retirement System	104,987
Alaska National Guard and Alaska Naval Militia Retirement System	25,507

PLAN MEMBERSHIPS

The table below includes the plan membership counts. For PERS, TRS and JRS, the counts are from the notes to the separately issued financial statements for the various plans. NGNMRS and EPORS are as of the the most recent valuation report date.

	PERS	TRS	JRS	NGNMRS	EPORS
	6/30/08	6/30/08	6/30/08	6/30/08	6/30/08
Retirees & beneficiaries receiving benefits &					
Terminated members with future benefits	30,709	10,899	95	1,664	39
Current active employees:					
Vested	20,058	5,612	46	*	-
Nonvested	8,792	2,919	27	3,897	-
Total	59,559	19,430	168	5,561	39

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

FUNDING STATUS AND PROGRESS

Actuarial Method and Assumptions

All systems use the entry age normal actuarial funding method within the June 30, 2008 valuation reports. The unfunded accrued benefit liability or funding surplus is amortized over a rolling 25 years (NGNMRS is 20 years).

The objective under the entry age normal actuarial funding method is to fund each participant's benefits under the Plan as a level percentage of covered compensation, starting at original participation date, and continuing until the assumed retirement, disability, termination, or death. On introduction, this method produces a liability which represents the contributions which would have been accumulated had this method always been in effect. This liability is generally funded over a period of years as a level percentage of compensation. This component is known as the Amortization Cost Percentage. The total employer appropriation cost of the system is the total of the Normal Cost Percentage and the Amortization Cost Percentage.

The following main assumptions were used in the actuarial valuation.

System	Investment Return Compounded Annually	Salary Scale Increase	Health Care Inflation			Consumer Price Index Inflation	Valuation Date
				Medical	Rx		
PERS	8.25%	Police & Firefighters - 6.5% first 6 yrs, 4.5% thereafter. All Others - 9.5% first 5 yrs, 5.5% for year 6 then grading down to 5.0% and 4.0%.	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		
				Medical	Rx		
TRS	8.25%	6% first 5 yrs, grading down to 4% after 15 yrs	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		
				Medical	Rx		
JRS	8.25%	4.0% per year	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		
NGNMRS	7.25%	–		–		–	6/30/2008
				Medical	Rx		
EPORS	5.00%	4.0 % per year	FY 09	8.0%	10.8%	3.5%	6/30/2008
			FY 10	7.5%	9.6%		
			FY 11	6.9%	8.3%		

For PERS, TRS and JRS assets are at market value, with 20 percent of the investment gains or losses recognized in each of the current and preceding four years and phased in over the next five years. Valuation assets cannot be outside a range of 80 to 120 percent of the fair value of assets. NGNMRS and JRS assets valuation was changed from using the market value of assets without smoothing of gains and losses to a five year smoothing asset valuation method. This new method will be phased in over the next five years with the first phase-in recognized during FY 07.

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.

Governmental Accounting Standards Board Statement number forty-five was implemented prospectively for FY 08.

B. NON-STATE ADMINISTERED PLANS

THE MARINE ENGINEERS' BENEFICIAL ASSOCIATION (MEBA) PENSION PLAN

The MEBA plan is a defined benefit pension plan administered by MEBA for its members. Engineer Officers of the Alaska Marine Highway System participate in this program and the State contributes an amount (set by union contract) for each employee. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed $765.7 thousand in FY 09.

NOTE 8 – DEFINED CONTRIBUTION PENSION PLANS

A. STATE ADMINISTERED PLANS

DESCRIPTION OF PLANS

The Public Employees' Retirement System – Defined Contribution Retirement Plan (PERS-DCR)

PERS-DCR is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for eligible state and local government employees. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24th Alaska Legislature enacted into law Senate Bill 141, which created PERS-DCR effective July 1, 2006. The PERS-DCR Plan savings are accumulated in an individual retirement account for exclusive benefit of the members or beneficiaries.

The PERS-DCR Plan is a plan within the Public Employees' Retirement System (PERS). PERS is a component unit of the State of Alaska financial reporting entity. The PERS component unit is comprised of the PERS-DB (see note 7), PERS-DCR Plans, and the PERS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupational Death and Disability. PERS is reported as a pension (and other employee benefit) trust fund by the State. PERS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2009, there were 160 employers participating in PERS-DCR. There were no retirees or beneficiaries currently receiving benefits, 123 terminated plan members entitled to future benefits, and 7,393 active members, of which 6,807 are general employees and 586 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 09 for each member's compensation was 0.99 percent for medical coverage and 0.58 percent for death and disability (1.33 percent for peace officers and firefighters). HRA is $134.73 per month for full time employees and $1.04 per hour for part time employees.

The PERS pension contributions for the year ended June 30, 2009 by the employees were $11,396 thousand and the State of Alaska employers were $7,037 thousand. The PERS other postemployment contributions for the year ended June 30, 2009 were $7,032 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, 2009 is $76,832 thousand. PERS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by PERS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

The Teachers' Retirement System – Defined Contribution Retirement Plan (TRS-DCR)

TRS-DCR is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established by the State to provide pension and postemployment healthcare benefits for teachers and other eligible members. Benefit and contribution provisions are established by state law and may be amended only by the State Legislature. The 24th Alaska Legislature enacted into law Senate Bill 141, which created TRS-DCR effective July 1, 2006. TRS-DCR Plan savings are accumulated by an individual retirement account for exclusive benefit of the members or beneficiaries.

The TRS-DCR Plan is a plan within the Teachers' Retirement System (TRS). TRS is a component unit of the State of Alaska financial reporting entity. The TRS component unit is comprised of the TRS-DB (see note 7), TRS-DCR Plans, TRS Retiree Major Medical Insurance Plan and Health Reimbursement Arrangement Plan, and Occupation Death and Disability. TRS is reported as a pension (and other employee benefit) trust fund by the State. TRS separately issued financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Participants should refer to the plan agreement for more complete information. Copies of the audited financial statements and required supplementary information may be obtained from the Division of Retirement and Benefits, P.O. Box 110203, Juneau, AK 99811-0203.

As of June 30, 2009, there were 58 employers participating in TRS-DCR. There were no retirees or beneficiaries currently receiving benefits, 191 terminated plan members entitled to future benefits, and 1,806 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 Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). The TRS Occupational Death and Disability (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 09 for each member's compensation was 0.99 percent for medical coverage, 0.62 percent for death and disability. HRA is $134.73 per month for full time employees and $1.04 per hour for part time employees.

The TRS pension contributions for the year ended June 30, 2009 by the employees were $187 thousand and the State of Alaska employers were $167 thousand. The TRS other postemployment contributions for the year ended June 30, 2009 were $101 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, 2009 is $34,472 thousand. TRS-DCR investments in collective investment funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by TRS-DCR. The unit value is determined by the Trustees based on the fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis.

Supplemental Benefits System

In addition to the pension plans (note 7) and deferred compensation plan (note 9), all state employees, as well as employees of political subdivisions, who have elected to participate in the program, are covered under the Alaska Supplemental Benefits System (SBS). SBS is comprised of the Supplemental Annuity Plan and the Supplemental Benefits Plan. The Supplemental Annuity Plan is a defined contribution plan that was created under Alaska statutes effective January 1, 1980, to provide benefits in lieu of those provided by the federal Social Security System (Social Security). All state employees, who would have participated in Social Security if the State had not withdrawn, participate in SBS. Other employers whose employees participate in the State Public Employees' Retirement System and meet other requirements are eligible to have their employees participate in SBS as provided by Alaska Statute. As of January 31, 2009, there were sixteen other employers participating in SBS. There were approximately 38,000 participants in the Plan.

The Division of Retirement and Benefits is responsible for administration and record keeping. Through September 30, 2005, the Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in SBS. Effective October 1, 2005, ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

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

Mandatory contributions are made to the Supplemental Annuity Plan and voluntary contributions to the Supplemental Benefits Plan. Participating employees are vested at all times. Supplemental Annuity Plan contributions are made in lieu of contributions to Social Security. The State is required to contribute 12.26 percent of an employee's wages up to the taxable wage base in effect under Social Security regulations. Each employee is considered to have agreed to a wage reduction equal to one-half the contribution made on the employee's behalf. The State's mandatory contributions for the year ending January 31, 2009, were $121,294 thousand. The state's covered payroll was approximately $989,351 thousand.

Supplemental Benefit Plan contributions are voluntary based upon the optional benefits elected by each employee enrolled in SBS. Each employee agrees to a wage reduction based upon the benefit options selected. The benefit amounts are deducted from each employee's wages and remitted by the employer to SBS on the employee's behalf. State employee voluntary contributions for the year ending January 31, 2009, were $3,876 thousand.

Employees are eligible to withdraw from the Supplemental Annuity Plan 60 days after termination. Benefits are payable in the form of a lump sum annuity or one of various continuing annuities purchased from an insurance carrier, which are excluded from Plan assets. The SBS administrator issues lump-sum payments through its contracted record keeper.

Benefits available under the Supplemental Benefits Plan include death, disability, survivor benefits, and dependent care reimbursement. Selection of these benefits is at the discretion of the employee, with certain restrictions, and may be amended and/or changed on an annual basis or in conjunction with an employee change in status. All other supplemental benefits, except dependent care reimbursement, are provided through insurance policies. The State administers the Dependent Care Assistance Program.

Supplemental annuity contributions were deposited with investment managers under contract with SBS for the year ended January 31, 2009. Each participant's account is credited with the contributions and the increase or decrease in unit value for the investment funds and deduction for administrative fees.

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

B. NON-STATE ADMINISTERED PLANS

THE NORTHWEST MARINE RETIREMENT TRUST (NMRT)

NMRT is an agent multiple-employer pension plan with defined contributions and is administered by the Pacific Northwest Marine Retirement Trust. The State assumes no liability for this pension plan or its participants other than the payment of required contributions. The State contributed $863 thousand in FY 09.

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 full pay period of employment. Participants authorize the State to reduce their current salary so that they can receive the amount deferred at a later date. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency, within the definition allowed by the applicable Internal Revenue Code. As of December 31, 2008 the Deferred Compensation Plan had approximately 9,000 participants.

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

The Division of Retirement and Benefits is responsible for Deferred Compensation Plan administration and recordkeeping. The Alaska State Pension Investment Board (ASPIB) was responsible for the specific investment of monies in the Deferred Compensation Plan through September 30, 2005. Effective October 1, 2005 the ASPIB was disbanded and their duties were assumed by the Alaska Retirement Management Board.

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

Deferred Compensation Plan net assets as of December 31, 2008 were $442,042 thousand. 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, 2009, and interfund transfers for the year then ended (in thousands):

INTERFUND RECEIVABLE / PAYABLE BALANCES

	Due from Other Funds					
Due to Other Funds	General Fund	Nonmajor Governmental Funds	Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ 3,481	$ 106	$ 9,174	$ 23,491	$ 36,252
Alaska Permanent Fund	856,644	-	-	-	-	856,644
Nonmajor Governmental Funds	21,514	-	-	-	-	21,514
International Airports	40,629	-	-	-	-	40,629
Unemployment Compensation	2,193	-	-	-	-	2,193
Nonmajor Enterprise Funds	1,992	-	-	-	-	1,992
Internal Service Funds	1,561	-	-	-	-	1,561
Fiduciary Funds	21,356	-	-	-	-	21,356
Other	28,720	218	9	(439)	4,599	33,107
Total	$ 974,609	$ 3,699	$ 115	$ 8,735	$ 28,090	$ 1,015,248

The $856.6 million balance due from the Alaska Permanent Fund to the General Fund includes $813.5 million for payment of 2009 Permanent Fund dividends to qualified residents of the State. The balance is for administrative and associated costs of the 2009 Permanent Dividend Program.

The majority of the “Other” due from Other Funds and due to Other Funds balances are attributable to FY 09 activity during the reappropriation period in July and August 2009 that caused the movement of cash balances between funds after June 30, 2009. The amounts reported as “Other” are reconciling amounts resulting from reporting differences for certain funds included in the fund financial statements at June 30, 2009.

INTERFUND TRANSFERS

	Transfers to						
Transfers From	General Fund	Nonmajor Governmental Funds	International Airports	Nonmajor Enterprise Funds	Internal Service Funds	Other	Total
General Fund	$ -	$ 49,042	$ 3,334	$ 13,795	$ 14,079	$ -	$ 80,250
Alaska Permanent Fund	874,844	-	-	-	-	-	874,844
Nonmajor							
Governmental Funds	218	6,090	-	-	-	-	6,308
Unemployment Compensation	1,478	-	-	-	-	48	1,526
Nonmajor Enterprise Funds	1,453	-	-	19	-	-	1,472
Internal Service Funds	-	-	-	-	-	-	-
Fiduciary Funds	3,922	-	-	-	-	(3,922)	-
Other	17	-	-	(118)	-	101	-
Total	$ 881,932	$ 55,132	$ 3,334	$ 13,696	$ 14,079	$ (3,773)	$ 964,400

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 $874.8 million transfer for payment of the Permanent Fund dividends and for administrative and associated costs of the dividend program. The transfer from “Other” to the General Fund represents activity not reported as a transfer out primarily from Alaska International Airport System, an enterprise fund. The transfer from “Other” to enterprise funds represents the difference between what the Knik Arm Bridge and Toll Authority reported as a transfer in and what the General Fund reported as a transfer out. The transfer from the Unemployment Compensation Fund to “Other” represents the difference reported between the General Fund and the Unemployment Compensation Fund. The transfer from the fiduciary funds to “Other” represents activity to the General Fund not reported in the financial statements.

NOTE 11 – RELATED PARTY ACTIVITY

Beginning in September 2008 and ending in December 2008, Alaska Housing Finance Corporation’s (AHFC) subsidiary, the Alaska Housing Capital Corporation, implemented a program to temporarily purchase and hold certain variable-rate debt obligations of AHFC. Such obligations were purchased and sold via arm’s length, open-market transactions. The maximum amount of AHFC obligations held at any time by the Alaska Housing Capital Corporation totaled $180,650,000 par value. As of June 30 ,2009, no such obligations of the Corporation were held by the Alaska Housing Capital Corporation.

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, 2009, is $27,343 thousand. This amount was calculated using the base pay on file for each employee as of June 30, 2009. 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 09 expended for school debt was $93,394 thousand, which was 100 percent of the entitlement. The total debt requirement, assuming the State makes full payment of its share of school debt service, would be approximately $1,276,120 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), and large highway bridges.

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

Additional specialty 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 09, 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 and marine risks, and $250 thousand per incident for airport and aviation liability exposures. Limits of excess insurance vary by risk: $50 million per occurrence for marine, $100 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, 2008, and June 30, 2009. The state records its related liability using discounted amounts provided by actuaries. The amount of unpaid claim liabilities for Risk Management is presented at their present value using a 3.5 percent discount interest rate for FY 08 and a 3.5 percent discount interest rate for FY 09. 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
2008	$ 65,098,430	$ 24,091,348	$ (31,887,028)	$ 57,302,750
2009	57,302,750	38,970,882	(33,115,226)	63,158,406

D. LITIGATION

The State is involved in a number of legal actions. The Department of Law estimates the probable maximum liability for the cases associated with the governmental fund types to be approximately $72,966 thousand, with an additional possible liability of $15,981 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.

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, 2009, 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.

At June 30, 2009, the Alaska Energy Authority had open loan commitments of $12,253 thousand.

At June 30, 2009, the Alaska Industrial Development and Export Authority (AIDEA) had extended loan commitments of $20,151 thousand and loan guarantees of $768 thousand. Under an agreement dated August 2009, AIDEA agreed to sell the Healy Project to Tri-VEC for $50 million, finance the sale, and loan up to an additional $45 million to refurbish, put into operation, and integrate the Healy Project into Golden Valley Electric Association's system.

In addition, AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guarantee Association (AIGA). The AIGA pays, from assessments to member insurers, the claims of insurance companies put into liquidation by insurance regulators. Any guarantee is limited to loans necessary to make the AIGA financially able to meet cash flow needs up to a maximum outstanding principal balance at anytime of $30,000 thousand. No loans have been made pursuant to this authorization.

H. INVESTMENT COMMITMENTS

The Alaska Retirement Management Board (ARMB) has entered into agreements with external investment managers to provide funding for future investments.

	Amounts in thousands			
Investment Type/Term	PERS	TRS	JRS	NMRS
Domestic Equity Limited Partnerships				
Withdrawn annually in December with 90-days notice.	$ 32,445	$ 14,221	$ 395	$ 112
Limited Partership				
To be paid through 2019.	604,482	265,052	5,513	-
To be paid through 2018.	35,435	15,545	20	-
Real Estate Investment				
To be paid through 2018.	157,952	69,056	2,339	-
	$ 830,314	$ 363,874	$ 8,267	$ 112

I. 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 two funds.

The Alaska Mental Health Trust Authority (AMHTA) has been notified by State agencies of possible obligations for pollution remediation activities on specifically identified parcels of AMHTA lands. There are several sites used by previous parties that require environmental review, subsequent remedial investigations and feasibility study and remediation and restoration of the sites. AMHTA intends to seek reimbursement of pollution remediation costs from responsible parties and any remaining costs will be recognized by the Trust. While an obligating event, as defined by GASBS 49 has occurred, no liability has been recognized as the AMHTA does not have sufficient information to reasonably estimate the amount at this time.

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 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, 2008 the General Fund had pollution remediation obligations of $48,739 thousand. As of June 30, 2009, the state had no increase to the obligation and recognized a decrease of $5,609 thousand in pollution remediation obligation related activities. The state has an estimated potential recovery of $9,518.5 thousand from other responsible parties.

The International Airports Fund (IAF) reported pollution remediation liabilities of $1,518 thousand for which IAF is in whole or in part a responsible party. There were no increases or decreases incurred during the fiscal year, and no recoveries were determinable. 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.

At December 31, 2007, the Alaska Railroad Corporation had pollution remediation obligations of $1,011 thousand. As of December 31, 2008, the Alaska Railroad Corporation had additional obligations of $1,948 thousand and reductions in obligations of $798 thousand, for an ending liability of $2,161 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 occurring reduced by the allocation of liability to other potentially responsible parties where applicable. The liabilities of 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.

Implementation of GASBS 49 required restatement of prior year liabilities and unrestricted net assets. See Note 3 for additional information.

NOTE 13 – SUBSEQUENT EVENTS

A. ALASKA MUNICIPAL BOND BANK AUTHORITY

Subsequent to June 30, 2009, the Alaska Municipal Bond Bank Authority approved loans to the communities of the City and Borough of Juneau in the Amount of $12,758 thousand and the Kenai Peninsula Borough in the amount of $4,960 thousand. Each of these loans is supported by a general obligation pledge of the community. The Alaska Municipal Bond Bank Authority bonds are scheduled to be issued in September 2009 and the loan should close in October 2009.

B. ALASKA CLEAN WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 10 in an amount not to exceed $1,000 thousand. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Clean Water Fund.

C. ALASKA DRINKING WATER FUND

Plans are in place to issue Series A Revenue Bond Anticipation Notes for FY 10 in an amount not to exceed $1,660 thousand. Although this transaction has not yet been finalized, the issuance of the bonds is imminent. The borrowing is to be secured by interest earnings of the Alaska Drinking Water Fund.

D. ALASKA HOUSING FINANCE CORPORATION

On August 26, 2009, the Alaska Housing Finance Corporation (AHFC) issued $161,740 thousand Home Mortgage Revenue Bonds, 2009 Series C and D. The bonds are general obligation bonds of AHFC. The Series C Bonds bear interest at fixed rates between .90 percent and 5.35 percent payable each June 1 and December 1 with a final maturity of December 1, 2039. The Series D Bonds bear interest at a floating rate payable each June 1 and December 1 with a final maturity of December 1, 2040. The 2009 Series Bonds are primarily secured by program obligations consisting of qualifying mortgage loans.

E. ALASKA STUDENT LOAN CORPORATION

On July 17, 2009, the Alaska Student Loan Corporation (ASLC) entered into a Trust and Loan Agreement with the State's Department of Revenue (acting on behalf of the State). The Loan Agreement provides up to $100 million to ASLC for the purpose of financing education loans. The loan is a four-year bullet loan accruing interest on the outstanding principal amount from the date of each draw using a variable rate of interest equal to the most recent rolling five-year average return on the State's General Fund. The initial interest rate commencing upon the first draw will be 4.29 percent. The interest rate will be reset annually in July. Interest is payable semi-annually in January and July. ASLC has the right to repay the loan, in whole or in part, at any time, without penalty or premium.

The Trust Agreement was entered into to secure payment of the loan. It requires that the trust be capitalized with $5 million in cash prior to the first loan draw. In addition, loan proceeds drawn are to be deposited in the trust until education loans are originated. Education loans originated with loan proceeds, payments received on those loans, and earnings on pledged assets are all pledged to the Trust.

When the loan is paid in full and there are no other obligations outstanding with respect to the loan, the Loan and Trust Agreements will be cancelled and the assets held in the Trust, if any, will be released to ASLC.

F. PENSION CLAIMS ADMINISTRATION

During the fiscal year 2009, the Department of Administration, Division of Retirement and Benefits issued a request for proposal for claims administration. The contract for the third party administrator for claims payments was awarded to Wells Fargo Insurance Services (Wells Fargo). Wells Fargo began claims administration on July 1, 2009. To initiate claims payment on July 1, 2009, the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, Retiree Health Fund, and Group Health and Life Fund each transferred an amount as an initial deposit with Wells Fargo. The following deposits were made and classified as other assets on the statement of net assets:

Public Employees' Retirement System	$ 2,815,358
Teachers' Retirement System	984,038
Judicial Retirement System	8,499
Retiree Health Fund	351,455
Group Health and Life Fund	840,649

Required Supplementary Information

STATE OF ALASKA **STATEMENT 2.01**
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Unrestricted:				
Taxes	$ 4,869,737	$ 4,870,453	$ 4,981,803	$ (111,350)
Licenses and Permits	122,665	126,775	113,988	12,787
Charges for Services	173,308	178,680	175,723	2,957
Fines and Forfeitures	16,026	16,036	13,678	2,358
Rents and Royalties	2,045,903	2,047,142	1,582,288	464,854
Premiums and Contributions	351	369	16,595	(16,226)
Interest and Investment Income	763,080	763,161	(145,218)	908,379
Payments In from Component Units	440	440	440	-
Other Revenues	18,739	18,784	22,960	(4,176)
Restricted:				
Federal Grants in Aid	6,319,086	7,264,545	1,985,216	5,279,329
Interagency	638,561	1,046,763	556,668	490,095
Payments In from Component Units	91,888	91,890	25,952	65,938
Other Revenues	967	967	1,303	(336)
Total Revenues	15,060,751	16,426,005	9,331,396	7,094,609
EXPENDITURES				
Current:				
General Government	1,469,597	949,854	656,202	293,652
Alaska Permanent Fund Dividend/Resource Rebate	1,266,040	2,023,006	2,015,974	7,032
Education	964,899	2,042,500	1,885,434	157,066
University	534,553	657,412	409,072	248,340
Health and Human Services	2,772,068	2,788,235	2,224,461	563,774
Law and Justice	249,953	267,801	234,987	32,814
Public Protection	925,605	1,005,949	840,978	164,971
Natural Resources	554,719	613,068	354,366	258,702
Development	727,575	940,677	545,223	395,454
Transportation	5,705,265	6,460,993	2,043,012	4,417,981
Intergovernmental Revenue Sharing	220,493	235,670	234,927	743
Debt Service:				
Principal	7,765	7,765	5,906	1,859
Interest and Other Charges	2,461	2,461	2,461	-
Total Expenditures	15,400,993	17,995,391	11,453,003	6,542,388
Excess (Deficiency) of Revenues Over Expenditures	(340,242)	(1,569,386)	(2,121,607)	552,221
OTHER FINANCING SOURCES (USES)				
Transfers In from Other Funds	3,686,521	4,123,059	4,083,586	39,473
Transfers (Out to) Other Funds	(2,840,957)	(3,277,495)	(3,277,495)	-
Total Other Financing Sources and Uses	845,564	845,564	806,091	39,473
Excess (Deficiency) of Revenues, Other Financing Sources, Special Items, Over (Under) Expenditures, Other Financing Uses and Special Items, Budgetary Basis	$ 505,322	$ (723,822)	(1,315,516)	$ 591,694
RECONCILIATION OF BUDGETARY/ GAAP REPORTING:				
Adjust Expenditures for Encumbrances			1,716,194	
Basis Difference			(690,722)	
Excess (Deficiency) of Revenues, GAAP Basis			(290,044)	
Fund Balances - Beginning of Year			14,616,466	
Prior Period Adjustment			(2,186)	
Fund Balances - End of Year			$ 14,324,236	

Note to Required Supplementary Information – Budgetary Reporting
For the Fiscal Year Ended June 30, 2009

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 99821-0204, or may be viewed online at *http://fin.admin.state.ak.us/dof/financial_reports/cafr_toc.jsp*, the Division of Finance web page under the "Of Interest", "Financial Reports" section.

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	$ (692,864)
Medical Assistance Program	2,580
Working Reserve	(385)
Tobacco Tax	(945)
Alcohol Tax	591
Tire Tax	(9)
Vehicle Rental Tax	(502)
Commercial Passenger Vessel Excise Tax	812
Total General Fund Basis Difference	$ (690,722)

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Combining Fund Statements

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General Fund

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

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

- **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 37.05.545 – 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 Children's Trust Fund (Fund 34050)** – AS 37.14.200 – Administered by the Department of Health and Social Services and the Alaska Children's Trust Board established in the Office of the Governor. The income from this endowment is used to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect.
- **Alaska Debt Retirement Fund (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 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 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.
- **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.
- **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 – 18.60.620 and AS 18.62 relating to building safety and certificates of fitness.
- **Commercial Passenger Vessel Environmental Compliance Fund (Fund 11174)** – AS 46.03.482 – Administered by the Department of Environmental Conservation. Sources of income for this fund include: (1) money received by the department in payment of fees under AS 46.03.480; (2) money received as a result of a violation; (3) money appropriated to the fund by the legislature; (4) earnings on the fund. The legislature may make appropriations from this fund to the department to pay for the department's operational costs necessary to prepare reports that assess the information received by the department for the cruise ship seasons of 2000, 2001, 2002, and 2003 and for the department's operational costs necessary to carry out activities under AS 46.03.460 – 46.03.490 relating to commercial passenger vessels.
- **Commercial Vessel Taxes Fund (Fund 11203)** – AS 43.52.230(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. 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.

- **Disaster Relief Fund (Fund 12120)** – AS 26.23.300 – Administered by the Office of the Governor and the Department of Military and Veterans Affairs. This fund provides resources to alleviate the effects of disasters wherever and whenever they may occur in the State.

- **Donated Commodity Fee Fund (Fund 11120)** – USC 7 CFR, Part 250 – Administered by the Department of Education and Early Development. This fund consists of monies from federal agencies and recipients of goods. It is intended to cover the cost of the distribution of federal surplus food to schools, childcare institutions, nonprofit camps for children, charitable institutions for minors, nutrition programs for the elderly, and assistance to needy persons.

- **Educational Facilities Maintenance and Construction Fund (Fund 11142)** – AS 37.05.560 – Administered by the Department of Education and Early Development. Money in the fund may be appropriated to finance the design, construction, and maintenance of public school facilities and for maintenance of the University of Alaska facilities.

- **Election Fund (Fund 11179)** – Federal H.R. 3295, "The Help America Vote Act" – Administered by the Office of the Lieutenant Governor, Division of Elections. Funds will be used for election administration improvements, for replacement of voting equipment, to improve accessibility for individuals with disabilities, and to provide alternative language accessibility.

- **Employment Assistance and Training Program Account (Fund 11134)** – AS 23.15.625 – Administered by the Department of Labor and Workforce Development. The account consists of amounts collected under the provision of AS 23.15.630. The annual estimated balance in the account may be appropriated by the legislature to the department to implement AS 23.15.620 – 23.15.660. The legislature may appropriate the lapsing balance of the account to the Unemployment Compensation Fund established in AS 23.20.130.

- **Exxon Valdez Oil Spill Unincorporated Rural Community Grant Fund (Fund 11161)** – AS 44.33.115 – Administered by the Department of Commerce, Community, and Economic Development. The department may use the fund to make grants to unincorporated rural communities in the area affected by the Exxon Valdez oil spill for capital projects for purposes of restoring, replacing, or enhancing subsistence resources or services or other services damaged or lost as a result of the Exxon Valdez oil spill.

- **FHWA - Airspace Leases Fund (Fund 11126)** – Section 156 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 requires that the State shall charge fair market value for the sale, use, or lease rentals of right-of-way airspace and that the federal share of these net incomes be used by the State for highway projects. This fund accounts for those revenues. The revenues are available for appropriation by the legislature for highway projects.

- **FICA Administration Fund (Fund 11110)** – AS 39.30.050 – Administered by the Department of Administration. The fund consists of the pro rata share of expenses incurred in the administration of 39.30.010 – 39.30.080 and collected from participating political subdivisions and from the State.

- **Fisheries Disaster Fund (Fund 11180)** – PL 108-7, SEC 2, Division N, Title V – Fisheries Disasters, Sec. 501(a) – Administered by the Office of the Governor. $35,000,000 shall be made available as a direct lump sum payment to the State of Alaska to make payments to persons or entities that have experienced significant economic hardship. Funds in Alaska shall be used to provide personal assistance; assistance for small businesses including fishermen, fish processors, and related business serving the fishing industry; assistance for local borough governments adversely affected by reductions in fish landing fees and other fishing-related revenue; and product development and marketing.

- **Fuel Emergency Fund (Fund 11125)** – AS 26.23.400 – Administered by the Office of the Governor. This fund is used when the governor determines that a shortage of fuel is sufficiently severe to justify state assistance to make grants to a city or borough, or to a village or unincorporated community to purchase emergency supplies of fuel.

- **Fund for the Improvement of School Performance (Fund 11145)** – AS 14.03.125 – Administered by the Department of Education and Early Development. It is used to make grants to a district located in the State for the purpose of improving school performance.

- **Major Maintenance Grant Fund (Fund 11144)** – AS 14.11.007 – Administered by the Department of Education and Early Development. The fund is used to make grants for the cost of school major maintenance.
- **Memorial Education Revolving Loan Fund (Fund 21611)** – AS 14.43.255 – Administered by the Department of Education and Early Development. The fund was created to pay tribute to the memory of Alaskans who, by example of their lives, or by their distinguished contribution and service to the State, their community, or their profession, exemplified the best that is the challenge of "The Great Land." The funds shall be used to provide education loans to students selected under AS 14.43.250-325.
- **Municipal Capital Project Matching Grant Fund (Fund 11146)** – AS 37.06.010 – Administered by the Department of Commerce, Community, and Economic Development. The money in the fund is held by the department in custody for each municipality. Each fiscal year the department allocates individual grants for each municipality.
- **Municipal Harbor Facility Grant Fund (Fund 11187)** – AS 29.60.800 – Administered by the Department of Transportation and Public Facilities. The money appropriated to the fund may be expended by the department for municipal harbor grants.
- **Oil and Gas Tax Credit Fund (Fund 11189)** – AS 43.55.028 – Administered by the Department of Revenue. The purpose of this fund is to purchase certain transferable tax credit certificates issued under AS 43.55.023 and certain production tax credit certificates issued under AS 43.55.025. The fund consists of money appropriated to it, including any appropriation of the percentage provided under (c) of this section of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund established in art. IX, sec. 17 (a), Constitution of the State of Alaska; and earnings on the fund.
- **Oil and Hazardous Substance Release Prevention and Response (Fund 11128)** – AS 46.08.010 – Administered by the Department of Environmental Conservation. This fund is composed of two accounts: (1) the prevention account and (2) the response account. The fund consists of appropriations by the legislature of money from private donors, money recovered from parties responsible for cleanup of oil or a hazardous substance, and fines, penalties, or damages recovered under Chapter 46. This money is for the containment and cleanup of oil or a hazardous substance; monitoring, assessing, investigating, and evaluating the release or threatened release of oil or a hazardous substance; and recovery of the cost to the State of the containment and cleanup of oil or a hazardous substance.
- **Oil and Hazardous Substance Release Prevention Mitigation Account (Fund 11139)** – AS 46.08.020(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance; and fines, penalties, or damages recovered under AS 46.08.005–46.08.080. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the prevention account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Oil and Hazardous Substance Release Response Mitigation Account (Fund 11153)** – AS 46.08.025(b) – Administered by the Department of Environmental Conservation. This account consists of money received from other state sources, from federal or other sources, or from a private donor; money recovered or otherwise received from parties responsible for the containment and cleanup of oil or a hazardous substance at a specific site for which the State expended money from the former oil and hazardous substance release response fund before October 2, 1994, or for which the State expended money from the response account. The legislature may appropriate the amount received in this account (during the preceding calendar year) to the response account in the Oil and Hazardous Substance Release Prevention and Response Fund.
- **Originator Surety Fund (Fund 11202)** – AS 06.60.500 – Administered by the Department of Commerce Community and Economic Development. This fund consists of payments made by originator licensees under AS 06.60.550, filing fees retained under AS 06.60.620, income earned on the investment of the money in the fund, and money deposited in the fund by the department under AS 06.60.740.
- **Permanent Fund Dividend Fund (Fund 33020)** – AS 43.23.045 – Administered by the Department of Revenue. This fund consists of 50 percent of the income earned by the Alaska Permanent Fund during the fiscal year ending on June 30 that is paid out to eligible Alaska residents.
- **Public Education Fund (Fund 11184)** – AS 14.17.300 – Administered by the Department of Education and Early Development. This account may be expended only in aid of public schools and for centralized correspondence study programs under Chapter 17 – Financing of Public Schools, and for transportation of pupils under AS 14.09.010.

- **Railbelt Energy Fund (Fund 11123)** – AS 37.05.520 – Managed by the Department of Revenue. The legislature may appropriate money from the fund for programs, projects, and other expenditures to assist in meeting Railbelt energy needs, including projects for retrofitting state-owned buildings and facilities for energy conservation.
- **Randolph-Sheppard Small Business Fund (Fund 11118)** – AS 23.15.130, 20 USC 107-107(f) – Administered by the Department of Labor and Workforce Development. This fund consists of receipts from vending facilities on federal properties and is used to aid only blind licensees in operating vending machine facilities.
- **Real Estate Surety 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.
- **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 the sales of 21 parcels of public school trust land, the status of which is in litigation.
- **Senior Care Fund (Fund 11182)** – Chapter 3, SLA 2004 amended the uncodified law of the State of Alaska by creating the Senior Care Fund to be used by the Department of Health and Social Services. The fund is used to pay for the costs incurred for the provision of senior services under the senior care program. The department shall provide cash assistance and prescription drug benefits as far as practicable under appropriations provided by law.
- **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.
- **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.

- **Unincorporated Community Capital Project Matching Grant Fund (Fund 11147)** – AS 37.06.020 – Administered by the Department of Commerce, Community, and Economic Development. This fund was created for unincorporated communities to acquire or improve an asset with an anticipated life exceeding one year and includes land acquisition, construction, repair or structural improvement of a facility, engineering and design for a facility, and acquisition or repair of equipment.
- **Vocational Rehabilitation Small Business Enterprise Revolving Fund (Fund 11116)** – AS 23.15.130 – Administered by the Department of Labor and Workforce Development, Division of Vocational Rehabilitation. This fund consists of receipts from the net proceeds of vending facilities on public property. The annual estimated receipts of the fund may be used by the legislature to make appropriations to the department to aid licensees in operating vending machine facilities.
- **Workers' Compensation Benefits Guaranty Fund (Fund 11186)** – AS 23.30.082 – Administered by the Department of Labor and Workforce Development. This fund is composed of civil penalty payments made by employers under AS 23.30.080, income earned on investment of the money in the fund, money deposited in the fund, and appropriations to the fund. The fund may be appropriated for claims against the fund, for expenses directly related to fund operations and claims, and for legal expenses.
- **Workers' Safety and Compensation Administration Account (Fund 11173)** – AS 23.05.067 – Administered by the Department of Labor and Workforce Development. This fund is used to account for the annual service fees collected from employers for the administrative expenses of the State for workers' safety programs under AS 18.60 and the workers' compensation program under AS 23.30.

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STATE OF ALASKA
Combining Balance Sheet
General Fund
June 30, 2009
(Stated in Thousands)

STATEMENT 3.01

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
ASSETS			
Cash and Investments	$ 7,113,736	$ 23,807	$ 1,108,359
Accounts Receivable - Net	465,152	1	1,134
Interest and Dividends Receivable	54,594	85	-
Due from Other Funds	729,790	856,644	-
Due from Component Units	-	-	-
Due from Other Governments	-	-	-
Loans, Notes, and Bonds Receivable	-	-	-
Inventories	-	-	-
Other Assets	-	9	-
Total Assets	$ 8,363,272	$ 880,546	$ 1,109,493
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ 268	$ 7,535	$ -
Due to Other Funds	-	5,573	-
Due to Component Units	-	-	-
Due to Other Governments	-	-	-
Unearned and Deferred Revenue	59,429	-	-
Other Liabilities	-	5	-
Total Liabilities	59,697	13,113	-
Fund Balances:			
Reserved:			
Encumbrances	-	1,473	-
Nonliquid Assets	-	-	-
Other Purposes	-	-	-
Unreserved:			
Designated for Continuing Appropriations	-	319	-
Designated for Other	405,722	865,641	1,109,493
Undesignated	7,897,853	-	-
Total Fund Balances	8,303,575	867,433	1,109,493
Total Liabilities and Fund Balances	$ 8,363,272	$ 880,546	$ 1,109,493

STATEMENT 3.01

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
4,828,631	$ -	$ 13,074,533
341,819	-	808,106
8,796	-	63,475
123,571	(735,396)	974,609
11,380	-	11,380
553,225	-	553,225
19,831	-	19,831
15,303	-	15,303
15,405	-	15,414
5,917,961	$ (735,396)	$ 15,535,876
733,174	$ -	$ 740,977
766,075	(735,396)	36,252
8,295	-	8,295
120	-	120
365,252	-	424,681
1,310	-	1,315
1,874,226	(735,396)	1,211,640
853,722	-	855,195
221,129	-	221,129
25,033	-	25,033
1,478,284	-	1,478,603
586,445	-	2,967,301
879,122	-	8,776,975
4,043,735	-	14,324,236
5,917,961	$ (735,396)	$ 15,535,876

STATE OF ALASKA **STATEMENT 3.02**
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	General Fund		
	Constitutional Budget Reserve Subfund	Permanent Fund Dividend Subfund	Public Education Subfund
REVENUES			
Taxes	$ 440,405	$ -	$ -
Licenses and Permits	-	-	-
Charges for Services	-	438	-
Fines and Forfeitures	13	400	-
Rents and Royalties	71,345	-	-
Premiums and Contributions	-	21	-
Interest and Investment Income	(421,911)	-	-
Federal Grants in Aid	-	37	-
Payments In from Component Units	-	-	-
Other Revenues	-	8	203
Total Revenues	89,852	904	203
EXPENDITURES			
Current:			
General Government	1,240	7,938	-
Alaska Permanent Fund Dividend/Resource Rebate	-	2,015,974	-
Education	-	-	996,457
University	-	-	-
Health and Human Services	-	13,927	-
Law and Justice	-	1,563	-
Public Protection	-	14,462	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Intergovernmental Revenue Sharing	-	-	-
Debt Service:			
Principal	-	-	-
Interest and Other Charges	-	-	-
Total Expenditures	1,240	2,053,864	996,457
Excess (Deficiency) of Revenues Over Expenditures	88,612	(2,052,960)	(996,254)
OTHER FINANCING SOURCES (USES)			
Capital Leases	-	-	-
Transfers In from Other Funds	1,240	1,613,610	1,178,585
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	1,240	1,613,610	1,178,585
Net Change in Fund Balances	89,852	(439,350)	182,331
Fund Balances - Beginning of Year	8,213,723	1,306,783	927,162
Prior Period Adjustment	-	-	-
Fund Balances - End of Year	$ 8,303,575	$ 867,433	$ 1,109,493

STATEMENT 3.02

General and all Other Subfunds	Eliminations of Internal Balances	Total General Fund
$ 3,870,918	$ -	$ 4,311,323
113,988	-	113,988
175,285	-	175,723
13,265	-	13,678
1,488,504	-	1,559,849
16,574	-	16,595
276,693	-	(145,218)
2,088,348	-	2,088,385
26,392	-	26,392
24,052	-	24,263
8,094,019	-	8,184,978
668,363	-	677,541
-	-	2,015,974
618,435	-	1,614,892
409,072	-	409,072
2,045,498	-	2,059,425
199,820	-	201,383
606,436	-	620,898
252,016	-	252,016
375,980	-	375,980
1,081,805	-	1,081,805
231,364	-	231,364
5,794	-	5,794
2,461	-	2,461
6,497,044	-	9,548,605
1,596,975	-	(1,363,627)
271,901	-	271,901
7,089	(1,918,592)	881,932
(1,998,842)	1,918,592	(80,250)
(1,719,852)	-	1,073,583
(122,877)	-	(290,044)
4,168,798	-	14,616,466
(2,186)	-	(2,186)
$ 4,043,735	$ -	$ 14,324,236

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Nonmajor Governmental Funds

STATE OF ALASKA **STATEMENT 3.11**
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(Stated in Thousands)

	Permanent Fund Public School Trust Fund	Special Revenue Funds
ASSETS		
Cash and Investments	$ 333,692	$ 453,592
Accounts Receivable - Net	1,546	1,958
Interest and Dividends Receivable	845	2
Due from Other Funds	260	742
Due from Component Units	-	-
Due from Other Governments	-	5,347
Loans, Notes, and Bonds Receivable	78	-
Other Assets	-	45
Total Assets	$ 336,421	$ 461,686
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	$ 19	$ 12,049
Due to Other Funds	-	3,235
Due to Component Units	-	72
Unearned and Deferred Revenue	1,646	139
Other Liabilities	5	349
Total Liabilities	1,670	15,844
Fund Balances:		
Reserved:		
Encumbrances	-	23,999
Debt Service	-	-
Other Purposes	328,417	850
Unreserved:		
Designated for Continuing Appropriations	583	366,848
Designated for Other	-	3,891
Undesignated	5,751	50,254
Total Fund Balances	334,751	445,842
Total Liabilities and Fund Balances	$ 336,421	$ 461,686

STATEMENT 3.11

	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	$ 47,952	$ 308,014	$ 1,143,250
	-	-	3,504
	-	1,036	1,883
	1,123	1,574	3,699
	-	5	5
	-	-	5,347
	-	-	78
	-	-	45
	$ 49,075	$ 310,629	$ 1,157,811
	$ -	$ 30	$ 12,098
	218	18,061	21,514
	-	-	72
	-	-	1,785
	-	-	354
	218	18,091	35,823
	-	84,988	108,987
	48,857	-	48,857
	-	-	329,267
	-	195,413	562,844
	-	-	3,891
	-	12,137	68,142
	48,857	292,538	1,121,988
	$ 49,075	$ 310,629	$ 1,157,811

STATE OF ALASKA **STATEMENT 3.12**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Permanent Fund: Public School Trust Fund	Special Revenue Funds
REVENUES		
Taxes	$ -	$ 23,127
Licenses and Permits	-	32,472
Charges for Services	-	587
Fines and Forfeitures	3	625
Rents and Royalties	11,118	14,817
Premiums and Contributions	-	12,211
Interest and Investment Income	(28,328)	15,280
Federal Grants in Aid	-	30,724
Other Revenues	-	55
Total Revenues	(17,207)	129,898
EXPENDITURES		
Current:		
General Government	123	1,664
Education	14,300	24,000
University	-	-
Health and Human Services	-	5,231
Public Protection	-	77
Natural Resources	-	69,405
Development	-	11,653
Transportation	-	-
Debt Service:		
Principal	-	-
Interest and Other Charges	-	-
Bond Issuance Costs	-	-
Total Expenditures	14,423	112,030
Excess (Deficiency) of Revenues Over Expenditures	(31,630)	17,868
OTHER FINANCING SOURCES (USES)		
Bonds Issued	-	-
Bonds Issued Premium	-	-
Transfers In from Other Funds	-	5,197
Transfers (Out to) Other Funds	-	(6,090)
Total Other Financing Sources and Uses	-	(893)
Net Change in Fund Balances	(31,630)	16,975
Fund Balances - Beginning of Year	366,381	428,867
Fund Balances - End of Year	$ 334,751	$ 445,842

Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ 23,127
-	-	32,472
-	-	587
-	-	628
-	-	25,935
-	-	12,211
1,226	3,119	(8,703)
-	-	30,724
29,802	6,972	36,829
31,028	10,091	153,810
-	-	1,787
-	5,779	44,079
-	818	818
-	-	5,231
-	-	77
-	13,003	82,408
-	-	11,653
-	29,300	29,300
42,620	-	42,620
39,453	-	39,453
524	-	524
82,597	48,900	257,950
(51,569)	(38,809)	(104,140)
-	165,000	165,000
8,611	-	8,611
49,935	-	55,132
(218)	-	(6,308)
58,328	165,000	222,435
6,759	126,191	118,295
42,098	166,347	1,003,693
$ 48,857	$ 292,538	$ 1,121,988

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Permanent Funds

Permanent funds account for permanent endowments created when the principal amount of a contribution must be invested and preserved but earnings on amounts invested can be used for public purpose. Following are the State's permanent funds.

- **Alaska Mental Health Trust Authority (Fund 34040)** – AS 47.30.011 – This is a Discretely Presented Component Unit. The fund description is contained in the Notes to the Basic Financial Statements, Note 1A. Statements are included in the Nonmajor 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, 2009
(Stated in Thousands)

	Public School Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Fines and Forfeitures	$ 3	$ 3	$ -
Rents and Royalties	11,118	11,118	-
Interest and Investment Income	(28,328)	(28,328)	-
Total Revenues	(17,207)	(17,207)	-
EXPENDITURES			
Current:			
General Government	236	123	113
Education	14,300	14,300	-
Law and Justice	-	-	-
Natural Resources	583	-	583
Total Expenditures	15,119	14,423	696
Excess (Deficiency) of Revenues Over Expenditures	(32,326)	(31,630)	(696)
OTHER FINANCING SOURCES (USES)			
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Special and Extraordinary Items, Budgetary Basis	$ (32,326)	(31,630)	$ (696)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Special and Extraordinary Items, GAAP Basis		(31,630)	
Fund Balances - Beginning of Year		366,381	
Changes in Accounting Principles		-	
Fund Balances - End of Year		$ 334,751	

STATEMENT 3.23

Alaska Permanent			Total Permanent Funds		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ 3	$ 3	$ -
651,435	651,435	-	662,553	662,553	-
(6,326,571)	(6,326,571)	-	(6,354,899)	(6,354,899)	-
(5,675,136)	(5,675,136)	-	(5,692,343)	(5,692,343)	-
61,293	61,293	-	61,529	61,416	113
-	-	-	14,300	14,300	-
1,477	1,477	-	1,477	1,477	-
5,072	5,072	-	5,655	5,072	583
67,842	67,842	-	82,961	82,265	696
(5,742,978)	(5,742,978)	-	(5,775,304)	(5,774,608)	(696)
(874,844)	(874,844)	-	(874,844)	(874,844)	-
(874,844)	(874,844)	-	(874,844)	(874,844)	-
$ (6,617,822)	(6,617,822)	$ -	$ (6,650,148)	(6,649,452)	$ (696)
	(6,617,822)			(6,649,452)	
	35,880,930			36,247,311	
	652,961			652,961	
	$ 29,916,069			$ 30,250,820	

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Nonmajor Special Revenue Funds

Special revenue funds account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Additionally, special revenue funds account for the General Fund of legally separate entities (component units) that are blended with the government. The following are the State's special revenue funds.

- **Alaska Housing Capital Corporation (AHCC) (Fund 34076)** – AS 18.56.086 – Subsidiary of Alaska Housing Finance Corporation (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 33070)** – AS 37.14.400 – Memorandum of Agreement and Consent Decree between the United States (U.S.) and the State of Alaska to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the Exxon Valdez Oil Spill, which occurred on the night of March 23-24, 1989, in Prince William Sound, Alaska. The funds are administered by the trustee council which consists of the Secretaries of the U.S. Departments of the Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (the federal trustees) and the Commissioners of the Departments of Environmental Conservation and Fish and Game and the Attorney General of the State of Alaska (State trustees). The trustee council determines which projects shall be financed by monies from the trust. The Exxon Valdez Settlement Trust Fund established in the state accounting system accounts for those monies transferred to the State for projects approved by the trustee council. These projects are for the purpose of restoring, replacing, enhancing, rehabilitating, or acquiring the equivalent of natural resources injured, lost, or destroyed as a result of the oil spill.

- **Fish and Game Fund (Fund 12122)** – AS 16.05.100 – Administered by the Department of Fish and Game. Statutory revenue in this fund can only be used for the purpose of protection, propagation, investigation, and restoration of sport fish and game resources and the expenses of administering the sport fish and wildlife divisions of the Department of Fish and Game. These monies are received from the sale of state sport fishing and hunting licenses and special permits; sale of furs, skins, and specimens taken by predator hunters; money received in settlement of a claim or loss caused by damage to fish and game purposes; and donations. In addition to the statutory revenues, federal revenues, crewmember license fees, and other sources are appropriated to the fund for purposes related to fish and wildlife.

- **Fishermen's Fund (Fund 11119)** – AS 23.35.060 – Administered by the Department of Labor and Workforce Development. This fund is composed of 39 percent of the money derived by the State from all commercial fishermen's licenses and money appropriated by the legislature to pay for emergency treatment, transportation, medical care, and hospitalization of injured or disabled commercial fishermen.

- **Mine Reclamation Trust Fund (Fund 12140)** – AS 37.14.800(a) – 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 Fund (Fund 12131)** – AS 37.05.530 – Administered by the Department of Commerce, Community, and Economic Development. This fund consists of all money disbursed to the State by the federal government under 42 USC 6508 since December 12, 1980, less the amount deposited in the General Fund and expended by the State by General Fund appropriations before June 9, 1984. The monies are spent by municipalities to alleviate the impact from oil and gas development within the National Petroleum Reserve.

- **Northern Tobacco Securitization Corporation (NTSC) Fund (Fund 21664)** – AS 18.56.086 – Subsidiary of AHFC. The purpose of this fund is to purchase Tobacco Settlement Revenues from the State in order to provide financing of construction of public school facilities, facilities for the University of Alaska, public housing facilities of AHFC and facilities for ports and harbors. NTSC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

- **Reclamation Bonding Pool Fund (Fund 12132)** – AS 27.19.040 – Administered by the Department of Natural Resources. The fund is a statewide bonding pool for mining operations as an alternative to individual financial assurance. A miner participating in the bonding pool contributes a nonrefundable annual fee and an initial deposit that is refunded upon satisfactory completion of the approved reclamation plan. If a miner violates the reclamation plan, the financial assurance is forfeited and deposited in the fund. Income and other earnings on the bonding pool are also added to the fund. The reclamation and administrative costs and forfeited financial assurances are used for reclamation of the mining sites subject to forfeiture.

- **School Fund (Fund 12123)** – AS 43.50.140 – Administered by the Department of Revenue and the Department of Education and Early Development. This fund receives the revenue from the payment of cigarette taxes, fees, and penalties. It can only be used to rehabilitate, construct, and repair the State's school facilities, and for costs of insurance on buildings comprising school facilities.

- **Second Injury Fund (Fund 11117)** – AS 23.30.040 – Administered by the Department of Labor and Workforce Development. The fund consists of contributions from employers collected under AS 23.30.040(b) and (c), and civil penalties collected under AS 23.30.155(c). Money in the fund may only be paid for the benefit of those persons entitled to payment of benefits from the second injury fund under AS 23.30.

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STATE OF ALASKA
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2009
(Stated in Thousands)

STATEMENT 3.31

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
ASSETS						
Cash and Investments	$ 6,677	$ 11,239	$ 11,573	$ 4,520	$ 40,409	$ 1,600
Accounts Receivable - Net	-	-	22	1,936	-	-
Interest and Dividends Receivable	-	-	-	-	-	-
Due from Other Funds	-	291	-	-	-	-
Due from Other Governments	-	-	5,347	-	-	-
Other Assets	-	-	45	-	-	-
Total Assets	$ 6,677	$ 11,530	$ 16,987	$ 6,456	$ 40,409	$ 1,600
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable and Accrued Liabilities	$ 649	$ 15	$ 1,881	$ 990	$ 3,082	$ 1
Due to Other Funds	56	-	3,126	-	-	-
Due to Component Units	-	-	-	-	-	-
Unearned and Deferred Revenue	-	-	139	-	-	-
Other Liabilities	-	-	-	-	-	349
Total Liabilities	705	15	5,146	990	3,082	350
Fund Balances:						
Reserved:						
Encumbrances	-	-	1,143	-	22,451	-
Other Purposes	-	-	-	-	-	-
Unreserved:						
Designated for Continuing Appropriations	-	-	1,980	-	60	-
Designated for Other	-	-	-	-	-	-
Undesignated	5,972	11,515	8,718	5,466	14,816	1,250
Total Fund Balances	5,972	11,515	11,841	5,466	37,327	1,250
Total Liabilities and Fund Balances	$ 6,677	$ 11,530	$ 16,987	$ 6,456	$ 40,409	$ 1,600

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
$ 2,586	$ 3,655	$ 8,233	$ 7,878	$ 3,963	$ 852	$ 350,407	$ 453,592
-	-	-	-	-	-	-	1,958
-	-	-	-	-	2	-	2
451	-	-	-	-	-	-	742
-	-	-	-	-	-	-	5,347
-	-	-	-	-	-	-	45
$ 3,037	$ 3,655	$ 8,233	$ 7,878	$ 3,963	$ 854	$ 350,407	$ 461,686
$ 15	$ -	$ -	$ 5,416	$ -	$ -	$ -	$ 12,049
-	-	-	50	-	3	-	3,235
-	-	-	-	72	-	-	72
-	-	-	-	-	-	-	139
-	-	-	-	-	-	-	349
15	-	-	5,466	72	3	-	15,844
-	-	200	204	-	1	-	23,999
-	-	-	-	-	850	-	850
-	3,053	5,229	6,119	-	-	350,407	366,848
-	-	-	-	3,891	-	-	3,891
3,022	602	2,804	(3,911)	-	-	-	50,254
3,022	3,655	8,233	2,412	3,891	851	350,407	445,842
$ 3,037	$ 3,655	$ 8,233	$ 7,878	$ 3,963	$ 854	$ 350,407	$ 461,686

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, 2009
(Stated in Thousands)

	Second Injury	Fishermen's	Fish and Game	School	National Petroleum Reserve	Reclamation Bonding Pool
REVENUES						
Taxes	$ -	$ -	$ -	$ 23,127	$ -	$ -
Licenses and Permits	-	1,030	27,625	-	-	-
Charges for Services	-	-	526	-	-	61
Fines and Forfeitures	505	-	118	-	-	-
Rents and Royalties	-	-	-	-	14,817	-
Premiums and Contributions	3,764	-	-	-	-	-
Interest and Investment Income	-	-	587	-	-	63
Federal Grants in Aid	-	-	30,683	-	-	-
Other Revenues	25	-	30	-	-	-
Total Revenues	4,294	1,030	59,569	23,127	14,817	124
EXPENDITURES						
Current:						
General Government	-	-	1,436	-	80	-
Education	-	-	-	24,000	-	-
Health and Human Services	3,998	1,226	-	-	-	-
Public Protection	-	-	-	-	77	-
Natural Resources	-	-	58,372	-	-	-
Development	-	-	-	-	11,653	-
Total Expenditures	3,998	1,226	59,808	24,000	11,810	-
Excess (Deficiency) of Revenues Over Expenditures	296	(196)	(239)	(873)	3,007	124
OTHER FINANCING SOURCES (USES)						
Transfers In from Other Funds	-	-	5,197	-	-	-
Transfers (Out to) Other Funds	-	-	(6,090)	-	-	-
Total Other Financing Sources and Uses	-	-	(893)	-	-	-
Net Change in Fund Balances	296	(196)	(1,132)	(873)	3,007	124
Fund Balances - Beginning of Year	5,676	11,711	12,973	6,339	34,320	1,126
Fund Balances - End of Year	$ 5,972	$ 11,515	$ 11,841	$ 5,466	$ 37,327	$ 1,250

Clean Air Protection	Exxon Valdez Oil Spill Restoration	Alyeska Settlement Trust	Exxon Valdez Settlement Trust	Northern Tobacco Securitization Corporation	Mine Reclamation Trust	Alaska Housing Capital Corporation	Total Nonmajor Special Revenue Funds
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,127
3,817	-	-	-	-	-	-	32,472
-	-	-	-	-	-	-	587
2	-	-	-	-	-	-	625
-	-	-	-	-	-	-	14,817
-	-	-	8,447	-	-	-	12,211
-	145	328	170	-	(31)	14,018	15,280
-	-	-	41	-	-	-	30,724
-	-	-	-	-	-	-	55
3,819	145	328	8,658	-	(31)	14,018	129,898
76	-	-	-	72	-	-	1,664
-	-	-	-	-	-	-	24,000
7	-	-	-	-	-	-	5,231
-	-	-	-	-	-	-	77
2,697	-	-	8,323	-	13	-	69,405
-	-	-	-	-	-	-	11,653
2,780	-	-	8,323	72	13	-	112,030
1,039	145	328	335	(72)	(44)	14,018	17,868
-	-	-	-	-	-	-	5,197
-	-	-	-	-	-	-	(6,090)
-	-	-	-	-	-	-	(893)
1,039	145	328	335	(72)	(44)	14,018	16,975
1,983	3,510	7,905	2,077	3,963	895	336,389	428,867
$ 3,022	$ 3,655	$ 8,233	$ 2,412	$ 3,891	$ 851	$ 350,407	$ 445,842

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, 2009
(Stated in Thousands)

	Second Injury		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ -	$ -	$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	505	505	-
Rents and Royalties	-	-	-
Premiums and Contributions	3,764	3,764	-
Interest and Investment Income	-	-	-
Other Revenues	25	25	-
Restricted:			
Federal Grants in Aid	-	-	-
Interagency	-	-	-
Other Revenues	-	-	-
Total Revenues	4,294	4,294	-
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	4,119	3,998	121
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	4,119	3,998	121
Excess (Deficiency) of Revenues Over Expenditures	175	296	(121)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	14	-	14
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	14	-	14
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	$ 189	296	$ (107)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Funds Not Annually Budgeted		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		296	
Fund Balances - Beginning of Year		5,676	
Fund Balances - End of Year		$ 5,972	

Fishermen's			Fish and Game		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ -	$ -	$ -
1,030	1,030	-	27,624	27,625	(1)
-	-	-	526	526	-
-	-	-	-	118	(118)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	587	(587)
-	-	-	26,640	26	26,614
-	-	-	33,490	30,683	2,807
-	-	-	36	-	36
-	-	-	-	4	(4)
1,030	1,030	-	88,316	59,569	28,747
-	-	-	1,436	1,436	-
-	-	-	-	-	-
1,628	1,226	402	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	70,269	60,758	9,511
-	-	-	-	-	-
-	-	-	-	-	-
1,628	1,226	402	71,705	62,194	9,511
(598)	(196)	(402)	16,611	(2,625)	19,236
-	-	-	5,197	5,197	-
-	-	-	(8,948)	(6,090)	(2,858)
-	-	-	(3,751)	(893)	(2,858)
$ (598)	(196)	$ (402)	$ 12,860	(3,518)	$ 16,378
	-			2,386	
	-			-	
	(196)			(1,132)	
	11,711			12,973	
	$ 11,515			$ 11,841	

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, 2009
(Stated in Thousands)

	School		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ 23,788	$ 23,788	$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	-	-
Premiums and Contributions	-	-	-
Interest and Investment Income	-	-	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Interagency	-	-	-
Other Revenues	-	-	-
Total Revenues	23,788	23,788	-
EXPENDITURES			
Current:			
General Government	-	-	-
Education	24,000	24,000	-
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	-	-	-
Total Expenditures	24,000	24,000	-
Excess (Deficiency) of Revenues Over Expenditures	(212)	(212)	-
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	$ (212)	(212)	$ -
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		(661)	
Funds Not Annually Budgeted		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		(873)	
Fund Balances - Beginning of Year		6,339	
Fund Balances - End of Year		$ 5,466	

National Petroleum Reserve			Clean Air Protection		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	3,817	3,817	-
-	-	-	-	-	-
-	-	-	2	2	-
14,817	14,817	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,817	14,817	-	3,819	3,819	-
426	426	-	76	76	-
-	-	-	-	-	-
-	-	-	7	7	-
-	-	-	-	-	-
591	591	-	-	-	-
-	-	-	2,697	2,697	-
33,304	33,245	59	-	-	-
-	-	-	-	-	-
34,321	34,262	59	2,780	2,780	-
(19,504)	(19,445)	(59)	1,039	1,039	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ (19,504)	(19,445)	$ (59)	$ 1,039	1,039	$ -
	22,452			-	
	-			-	
	3,007			1,039	
	34,320			1,983	
	$ 37,327			$ 3,022	

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, 2009
(Stated in Thousands)

	Exxon Valdez Oil Spill Restoration		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ -	$ -	$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	-	-
Premiums and Contributions	-	-	-
Interest and Investment Income	145	145	-
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Interagency	-	-	-
Other Revenues	-	-	-
Total Revenues	145	145	-
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Law and Justice	400	-	400
Public Protection	-	-	-
Natural Resources	-	-	-
Development	-	-	-
Transportation	2,653	-	2,653
Total Expenditures	3,053	-	3,053
Excess (Deficiency) of Revenues Over Expenditures	(2,908)	145	(3,053)
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	$ (2,908)	145	$ (3,053)
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		-	
Funds Not Annually Budgeted		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, Other Financing Sources (Uses), GAAP Basis		145	
Fund Balances - Beginning of Year		3,510	
Fund Balances - End of Year		$ 3,655	

Alyeska Settlement Trust			Exxon Valdez Settlement Trust		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	8,447	8,447	-
328	328	-	170	170	-
-	-	-	-	-	-
-	-	-	41	41	-
-	-	-	-	-	-
-	-	-	-	-	-
328	328	-	8,658	8,658	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	17,777	8,527	9,250
-	-	-	-	-	-
5,429	200	5,229	-	-	-
5,429	200	5,229	17,777	8,527	9,250
(5,101)	128	(5,229)	(9,119)	131	(9,250)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ (5,101)	128	$ (5,229)	$ (9,119)	131	$ (9,250)
	200			204	
	-			-	
	328			335	
	7,905			2,077	
	$ 8,233			$ 2,412	

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, 2009
(Stated in Thousands)

	Mine Reclamation Trust		
	Budget	Actual	Variance with Budget
REVENUES			
Unrestricted:			
Taxes	$ -	$ -	$ -
Licenses and Permits	-	-	-
Charges for Services	-	-	-
Fines and Forfeitures	-	-	-
Rents and Royalties	-	-	-
Premiums and Contributions	-	-	-
Interest and Investment Income	-	(31)	31
Other Revenues	-	-	-
Restricted:			
Federal Grants in Aid	-	-	-
Interagency	-	-	-
Other Revenues	-	-	-
Total Revenues	-	(31)	31
EXPENDITURES			
Current:			
General Government	-	-	-
Education	-	-	-
Health and Human Services	-	-	-
Law and Justice	-	-	-
Public Protection	-	-	-
Natural Resources	25	14	11
Development	-	-	-
Transportation	-	-	-
Total Expenditures	25	14	11
Excess (Deficiency) of Revenues Over Expenditures	(25)	(45)	20
OTHER FINANCING SOURCES (USES)			
Transfers In from Other Funds	-	-	-
Transfers (Out to) Other Funds	-	-	-
Total Other Financing Sources and Uses	-	-	-
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), Budgetary Basis	$ (25)	(45)	$ 20
RECONCILIATION OF BUDGETARY/ GAAP REPORTING			
Adjust Expenditures for Encumbrances		1	
Funds Not Annually Budgeted		-	
Excess (Deficiency) of Revenues, Over (Under) Expenditures, and Other Financing Sources (Uses), GAAP Basis		(44)	
Fund Balances - Beginning of Year		895	
Fund Balances - End of Year		$ 851	

Funds Not Annually Budgeted			Total Nonmajor Special Revenue Funds		
Reclamation Bonding Pool	Northern Tobacco Securitization Corporation	Alaska Housing Capital Corporation			
Actual	Actual	Actual	Budget	Actual	Variance with Budget
$ -	$ -	$ -	$ 23,788	$ 23,788	$ -
-	-	-	32,471	32,472	(1)
-	-	-	526	526	-
-	-	-	507	625	(118)
-	-	-	14,817	14,817	-
-	-	-	12,211	12,211	-
-	-	-	643	1,199	(556)
-	-	-	26,665	51	26,614
-	-	-	33,531	30,724	2,807
-	-	-	36	-	36
-	-	-	-	4	(4)
-	-	-	145,195	116,417	28,778
-	-	-	1,938	1,938	-
-	-	-	24,000	24,000	-
-	-	-	5,754	5,231	523
-	-	-	400	-	400
-	-	-	591	591	-
-	-	-	90,768	71,996	18,772
-	-	-	33,304	33,245	59
-	-	-	8,082	200	7,882
-	-	-	164,837	137,201	27,636
-	-	-	(19,642)	(20,784)	1,142
-	-	-	5,211	5,197	14
-	-	-	(8,948)	(6,090)	(2,858)
-	-	-	(3,737)	(893)	(2,844)
-	-	-	$ (23,379)	(21,677)	$ (1,702)
-	-	-		24,582	
124	(72)	14,018		14,070	
124	(72)	14,018		16,975	
1,126	3,963	336,389		428,867	
$ 1,250	$ 3,891	$ 350,407		$ 445,842	

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Nonmajor Debt Service Funds

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

- **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 **STATEMENT 3.41**
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2009
(Stated in Thousands)

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
ASSETS				
Cash and Investments	$ 8,132	$ 32,997	$ 6,823	$ 47,952
Due from Other Funds	219	-	904	1,123
Total Assets	$ 8,351	$ 32,997	$ 7,727	$ 49,075
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to Other Funds	218	-	-	218
Total Liabilities	218	-	-	218
Fund Balances:				
Reserved:				
Debt Service	8,133	32,997	7,727	48,857
Total Fund Balances	8,133	32,997	7,727	48,857
Total Liabilities and Fund Balances	$ 8,351	$ 32,997	$ 7,727	$ 49,075

STATE OF ALASKA **STATEMENT 3.42**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	General Obligation Bond Redemption	Northern Tobacco Securitization Corporation	Alaska Fish and Game Revenue Bond Redemption	Total Nonmajor Debt Service Funds
REVENUES				
Interest and Investment Income	$ 10	$ 1,170	$ 46	$ 1,226
Other Revenues	-	29,802	-	29,802
Total Revenues	10	30,972	46	31,028
EXPENDITURES				
Debt Service:				
Principal	26,220	12,290	4,110	42,620
Interest and Other Charges	17,645	18,963	2,845	39,453
Bond Issuance Costs	524	-	-	524
Total Expenditures	44,389	31,253	6,955	82,597
Excess (Deficiency) of Revenues Over Expenditures	(44,379)	(281)	(6,909)	(51,569)
OTHER FINANCING SOURCES (USES)				
Bonds Issued Premium	8,611	-	-	8,611
Transfers In from Other Funds	43,845	-	6,090	49,935
Transfers (Out to) Other Funds	(218)	-	-	(218)
Total Other Financing Sources and Uses	52,238	-	6,090	58,328
Net Change in Fund Balances	7,859	(281)	(819)	6,759
Fund Balances - Beginning of Year	274	33,278	8,546	42,098
Fund Balances - End of Year	$ 8,133	$ 32,997	$ 7,727	$ 48,857

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Nonmajor Capital Projects Funds

The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The following are the State's capital projects funds.

- **Accelerated Alaska Transportation Projects Fund (Fund 13110)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of $102,805,000 of general obligation bonds, and is to be used for the purpose of paying the cost of State transportation projects that qualify for federal highway aid.
- **Alaska Sport Fishing Construction Account (Fund 13220)** – AS 16.05.130(f) – This fund consists of the proceeds from the sale of $58,060,000 of Sport Fishing Revenue Bonds and General Fund money appropriated by the legislature. The purpose of the fund is to finance the construction and renovation of fisheries rehabilitation, enhancement, and development projects that benefit sport fishing.
- **Educational and Museum Facility Design, Construction, and Major Maintenance Fund (GO Bonds) (Fund 13112)** – Chapter 2, SSSLA 2002 – This fund consists of the proceeds from the sale of $235,215,500 of general obligation bonds, and is to be used for the purpose of paying the cost of design, construction, and major maintenance of educational and museum facilities.
- **Transportation Projects Fund (GO Bonds) (Fund 13111)** – Chapter 114, SLA 2002 – This fund consists of the proceeds from the sale of $123,914,500 of general obligation bonds, and is to be used for the purpose of paying the cost of state transportation projects.
- **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.

STATE OF ALASKA **STATEMENT 3.51**
Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2009
(Stated in Thousands)

	Accelerated Alaska Transportation Projects	Transportation Projects
ASSETS		
Cash and Investments	$ 3,817	$ 5,001
Interest and Dividends Receivable	13	17
Due from Other Funds	-	-
Due from Component Units	-	-
Total Assets	$ 3,830	$ 5,018
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and Accrued Liabilities	$ -	$ -
Due to Other Funds	93	6
Total Liabilities	93	6
Fund Balances:		
Reserved:		
Encumbrances	1,435	1,208
Unreserved:		
Designated for Continuing Appropriations	1,057	2,398
Undesignated	1,245	1,406
Total Fund Balances	3,737	5,012
Total Liabilities and Fund Balances	$ 3,830	$ 5,018

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	2008 Transportation Projects	Total Nonmajor Capital Projects Funds
$ 10,939	$ 122,698	$ 165,559	$ 308,014
26	416	564	1,036
-	1,574	-	1,574
5	-	-	5
$ 10,970	$ 124,688	$ 166,123	$ 310,629
$ 30	$ -	$ -	$ 30
-	2,652	15,310	18,061
30	2,652	15,310	18,091
2,082	35,946	44,317	84,988
795	84,667	106,496	195,413
8,063	1,423	-	12,137
10,940	122,036	150,813	292,538
$ 10,970	$ 124,688	$ 166,123	$ 310,629

STATE OF ALASKA **STATEMENT 3.52**
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Accelerated Alaska Transportation Projects	Transportation Projects
REVENUES		
Interest and Investment Income	$ 46	$ 51
Other Revenues	-	-
Total Revenues	46	51
EXPENDITURES		
Current		
Education	-	-
University	-	-
Natural Resources	-	-
Transportation	7,019	6,573
Total Expenditures	7,019	6,573
Excess (Deficiency) of Revenues Over Expenditures	(6,973)	(6,522)
OTHER FINANCING SOURCES (USES)		
Bonds Issued	-	-
Total Other Financing Sources and Uses	-	-
Net Change in Fund Balances	(6,973)	(6,522)
Fund Balances - Beginning of Year	10,710	11,534
Fund Balances - End of Year	$ 3,737	$ 5,012

Educational and Museum Facility Design, Construction, and Major Maintenance	Alaska Sport Fishing Construction Account	2008 Transportation Projects	Total Nonmajor Capital Projects Funds
$ 93	$ 1,408	$ 1,521	$ 3,119
6,972	-	-	6,972
7,065	1,408	1,521	10,091
5,779	-	-	5,779
818	-	-	818
-	13,003	-	13,003
-	-	15,708	29,300
6,597	13,003	15,708	48,900
468	(11,595)	(14,187)	(38,809)
-	-	165,000	165,000
-	-	165,000	165,000
468	(11,595)	150,813	126,191
10,472	133,631	-	166,347
$ 10,940	$ 122,036	$ 150,813	$ 292,538

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Nonmajor Enterprise Funds

Enterprise funds account for business-like state activities that provide goods and/or services to the public and are financed primarily through user charges. The following are the State's nonmajor 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 World War II Veterans' Revolving Loan Fund (Fund 21605)** – AS 26.15.090 – Administered by DCCED. The fund was created for the purpose of making home, education, or personal loans to eligible veterans. However, no loans are currently being made from the fund.
- **Commercial 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.
- **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.
- **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.
- **Small Business Revolving Loan Fund (Fund 21607)** – AS 45.95.060 – Administered by DCCED. AS 45.95 authorizes the Commissioner of DCCED to make small business loans. Loans may be used to acquire, finance, refinance or equip businesses, including mining, fishing, and farming equipment.

ENERGY ASSISTANCE ENTERPRISE FUNDS

- **Alternative Energy 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 from sources other than fossil or nuclear fuel.
- **Bulk Fuel Bridge Loan Fund (Fund 21627)** – AS 29.60.660 – 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, if no other funding source exists for the purchase.

- **<u>Residential Energy Conservation Fund (Fund 21623)</u>** – AS 45.89.010 – Administered by DCCED. This fund consists of money appropriated by the legislature for grants and loans to purchase, construct, or install energy conservation improvements.

<u>OTHER AGENCIES ENTERPRISE FUNDS</u>

- **<u>Agricultural Revolving Loan Fund (Fund 21606)</u>** – AS 03.10.040 – Administered by the Department of Natural Resources. The Alaska Agricultural Loan Act is a declaration of policy to promote the development of agriculture as an industry throughout the State by means of long-term, low interest loans. The fund was created to fulfill this purpose.

- **<u>Alaska Clean Water Fund (Fund 21658)</u>** – AS 46.03.032-036 & 37.15.565 – 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.

- **<u>Alaska Drinking Water Fund (Fund 21659)</u>** – AS 46.03.036-038 & 37.15.565 – 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.

- **<u>Alcoholism and Drug Abuse Revolving Loan Fund (Fund 21642)</u>** – 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.

- **<u>Knik Arm Bridge and Toll Authority (Fund 21680)</u>** – 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.

STATE OF ALASKA **STATEMENT 4.01**

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2009
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	$ 69,391	$ 6,746	$ 142,099	$ 218,236
Accounts Receivable - Net	184	-	40	224
Interest and Dividends Receivable	3,726	-	2,087	5,813
Due from Other Governments	-	-	53	53
Loans, Notes, and Bonds Receivable	7,490	1,039	17,425	25,954
Total Current Assets	80,791	7,785	161,704	250,280
Noncurrent Assets:				
Interest and Dividends Receivable	22,691	-	-	22,691
Loans, Notes, and Bonds Receivable	102,393	4	207,145	309,542
Repossessed Property	147	-	797	944
Investment in Projects, Partnerships, or Corporations	-	-	3,658	3,658
Other Noncurrent Assets	-	-	3,404	3,404
Capital Assets:				
Construction in Progress	-	-	36,468	36,468
Total Noncurrent Assets	125,231	4	251,472	376,707
Total Assets	206,022	7,789	413,176	626,987
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	439	35	423	897
Due to Other Funds	205	10	1,777	1,992
Due to Other Governments	-	-	770	770
Claims, Judgments, Compensated Absences and Pollution Remediation	94	-	36	130
Other Current Liabilities	25	-	1,790	1,815
Total Current Liabilities	763	45	4,796	5,604
Noncurrent Liabilities:				
Claims, Judgments, Compensated Absences and Pollution Remediation	206	-	105	311
Total Noncurrent Liabilities	206	-	105	311
Total Liabilities	969	45	4,901	5,915
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	36,468	36,468
Restricted for:				
Health and Human Services	-	-	351,694	351,694
Other Purposes	-	-	207	207
Unrestricted	205,053	7,744	19,906	232,703
Total Net Assets	$ 205,053	$ 7,744	$ 408,275	$ 621,072

STATE OF ALASKA **STATEMENT 4.02**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for Goods and Services	$ 201	$ -	$ 665	$ 866
Interest and Investment Income	8,900	8	2,839	11,747
Allowance for Uncollectible Interest	(320)	-	-	(320)
Fines and Forfeitures	60	-	7	67
Federal Grants in Aid	-	-	816	816
Total Operating Revenues	8,841	8	4,327	13,176
OPERATING EXPENSES				
Operating	4,447	154	1,868	6,469
Depreciation	-	-	36	36
Provision for Loan Losses and Forgiveness	(2,313)	-	-	(2,313)
Other Operating Expenses	-	-	209	209
Total Operating Expenses	2,134	154	2,113	4,401
Operating Income (Loss)	6,707	(146)	2,214	8,775
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	188	188	5,539	5,915
Interest and Investment Expense	-	-	(1,625)	(1,625)
Payments In from Component Units	53	-	-	53
Other Nonoperating Revenues (Expenses)	-	-	(172)	(172)
Total Nonoperating Revenues (Expenses)	241	188	3,742	4,171
Income Before Capital Contributions and Transfers	6,948	42	5,956	12,946
Capital Contributions	-	-	22,239	22,239
Transfers In from Other Funds	4,819	7,578	1,299	13,696
Transfers (Out to) Other Funds	(1,464)	(8)	-	(1,472)
Special Item:				
Pension Obligation and Other Post Employment	-	-	144	144
Change in Net Assets	10,303	7,612	29,638	47,553
Total Net Assets - Beginning of Year	194,750	132	378,637	573,519
Total Net Assets - End of Year	$ 205,053	$ 7,744	$ 408,275	$ 621,072

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STATE OF ALASKA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

STATEMENT 4.03

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Other Governments	$ -	$ -	$ 838	$ 838
Receipts from Customers	501	6	-	507
Receipts for Interfund Services Provided	402	-	-	402
Receipt of Principal from Loan Recipients	14,852	3,959	17,989	36,800
Receipt of Interest and Fees from Loan Recipients	10,566	1	3,805	14,372
Payments to Employees	(3,021)	(24)	(1,126)	(4,171)
Payments to Suppliers	-	-	(976)	(976)
Payments to Other Governments	-	-	(348)	(348)
Payments to Loan Recipients	(14,534)	(3,744)	(43,897)	(62,175)
Payments for Interfund Services Used	(1,218)	-	-	(1,218)
Other Receipts	439	-	120	559
Other Payments	(325)	(116)	(44)	(485)
Net Cash Provided (Used) by Operating Activities	7,662	82	(23,639)	(15,895)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	(1,726)	(85)	381	(1,430)
Operating Subsidies and Transfers In from Other Funds	4,819	6,348	208	11,375
Payments In from Component Units	53	-	-	53
Federal Grants	-	-	20,372	20,372
Proceeds from Issuance of Short-term Debt	-	-	2,373	2,373
Payments on Short-term Debt	-	-	(2,334)	(2,334)
Interest and Fees Paid on Borrowing	-	-	(2)	(2)
Net Cash Provided (Used) by Noncapital Financing Activities	3,146	6,263	20,998	30,407
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	-	-	(3,387)	(3,387)
Federal Grants	-	-	3,448	3,448
Other Receipts (Payments)	-	-	(61)	(61)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales/Maturities of Investments	-	-	1,532	1,532
Interest and Dividends on Investments	188	189	5,515	5,892
Net Cash Provided (Used) by Investing Activities	188	189	7,047	7,424
Net Increase (Decrease) in Cash	10,996	6,534	4,406	21,936
Cash and Cash Equivalents - Beginning of Year	58,395	212	137,693	196,300
Cash and Cash Equivalents - End of Year	$ 69,391	$ 6,746	$ 142,099	$ 218,236

This statement continued on the next page.

STATE OF ALASKA **STATEMENT 4.03**
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Commercial Assistance	Energy Assistance	Other Agencies	Total Nonmajor Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ 6,707	$ (146)	$ 2,214	$ 8,775
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	-	-	36	36
Other Reconciling Items	-	-	(1,533)	(1,533)
Net Changes in Assets and Liabilities:				
Accounts Receivable - Net	-	-	62	62
Due from Other Funds	-	-	(157)	(157)
Due from Other Governments	-	-	22	22
Loans, Notes and Bonds Receivable - Net	(1,191)	191	(25,814)	(26,814)
Repossessed Property	-	-	40	40
Investment in Projects, Partnerships, or Corporations	-	-	1,622	1,622
Interest and Dividends Receivable - Net	1,429	-	314	1,743
Other Assets	69	-	(25)	44
Due to Other Funds	-	2	16	18
Accounts Payable and Accrued Liabilities	648	35	(292)	391
Obligations Under Securities Lending	-	-	(111)	(111)
Other Liabilities	-	-	(33)	(33)
Net Cash Provided (Used) by Operating Activities	$ 7,662	$ 82	$ (23,639)	$ (15,895)
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	$ 69,391	$ 6,746	$ 142,099	$ 218,236
Cash, End of Year	$ 69,391	$ 6,746	$ 142,099	$ 218,236
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	(119)	(8)	-	(127)

STATE OF ALASKA **STATEMENT 4.11**
Combining Statement of Net Assets
Commercial Assistance Enterprise Funds
June 30, 2009
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
ASSETS			
Current Assets:			
Cash and Investments	$ 121	$ 79	$ 38,592
Accounts Receivable - Net	184	-	-
Interest and Dividends Receivable	-	-	2,525
Loans, Notes, and Bonds Receivable	-	1	6,670
Total Current Assets	305	80	47,787
Noncurrent Assets:			
Interest and Dividends Receivable	-	-	2,869
Loans, Notes, and Bonds Receivable	-	-	53,426
Repossessed Property	-	-	147
Total Noncurrent Assets	-	-	56,442
Total Assets	305	80	104,229
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	3	-	436
Due to Other Funds	18	29	85
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-	94
Other Current Liabilities	-	-	25
Total Current Liabilities	21	29	640
Noncurrent Liabilities:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-	206
Total Noncurrent Liabilities	-	-	206
Total Liabilities	21	29	846
NET ASSETS			
Unrestricted	284	51	103,383
Total Net Assets	$ 284	$ 51	$ 103,383

STATEMENT 4.11

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
$ 96	$ 25,389	$ 252	$ 4,862	$ 69,391
-	-	-	-	184
1	1,200	-	-	3,726
14	761	-	44	7,490
111	27,350	252	4,906	80,791
-	19,822	-	-	22,691
58	48,848	-	61	102,393
-	-	-	-	147
58	68,670	-	61	125,231
169	96,020	252	4,967	206,022
-	-	-	-	439
21	-	52	-	205
-	-	-	-	94
-	-	-	-	25
21	-	52	-	763
-	-	-	-	206
-	-	-	-	206
21	-	52	-	969
148	96,020	200	4,967	205,053
$ 148	$ 96,020	$ 200	$ 4,967	$ 205,053

STATE OF ALASKA **STATEMENT 4.12**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
OPERATING REVENUES			
Charges for Goods and Services	$ -	$ -	$ 193
Interest and Investment Income	-	1	5,009
Allowance for Uncollectible Interest	-	-	178
Fines and Forfeitures	-	-	60
Total Operating Revenues	-	1	5,440
OPERATING EXPENSES			
Operating	-	-	4,047
Provision for Loan Losses and Forgiveness	-	-	(2,012)
Total Operating Expenses	-	-	2,035
Operating Income (Loss)	-	1	3,405
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	-	-	-
Payments In from Component Units	-	-	53
Total Nonoperating Revenues (Expenses)	-	-	53
Income Before Capital Contributions and Transfers	-	1	3,458
Transfers In from Other Funds	-	-	19
Transfers (Out to) Other Funds	(17)	(29)	(1,326)
Change in Net Assets	(17)	(28)	2,151
Total Net Assets - Beginning of Year	301	79	101,232
Total Net Assets - End of Year	$ 284	$ 51	$ 103,383

STATEMENT 4.12

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
$ -	$ 7	$ -	$ 1	$ 201
6	3,883	-	1	8,900
-	(498)	-	-	(320)
-	-	-	-	60
6	3,392	-	2	8,841
-	400	-	-	4,447
(1)	(302)	(2)	4	(2,313)
(1)	98	(2)	4	2,134
7	3,294	2	(2)	6,707
-	-	-	188	188
-	-	-	-	53
-	-	-	188	241
7	3,294	2	186	6,948
-	-	-	4,800	4,819
(21)	-	(52)	(19)	(1,464)
(14)	3,294	(50)	4,967	10,303
162	92,726	250	-	194,750
$ 148	$ 96,020	$ 200	$ 4,967	$ 205,053

STATE OF ALASKA **STATEMENT 4.13**
Combining Statement of Cash Flows
Commercial Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Alaska World War II Veterans' Revolving Loan	Small Business Revolving Loan	Commercial Fishing Revolving Loan
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	$ -	$ -	$ 490
Receipts for Interfund Services Provided	-	-	402
Receipts of Principal from Loan Recipients	-	3	10,878
Receipt of Interest and Fees from Loan Recipients	-	1	5,523
Payments to Employees	-	-	(3,021)
Payments to Loan Recipients	-	-	(12,556)
Payments for Interfund Services Used	-	-	(818)
Other Receipts	-	-	439
Other Payments	(5)	-	(319)
Net Cash Provided (Used) by Operating Activities	(5)	4	1,018
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	(45)	(79)	(1,542)
Operating Subsidies and Transfers In from Other Funds	-	-	19
Payments In from Component Units	-	-	53
Net Cash Provided (Used) by Noncapital Financing Activities	(45)	(79)	(1,470)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	-	-	-
Net Cash Provided (Used) by Investing Activities	-	-	-
Net Increase (Decrease) in Cash	(50)	(75)	(452)
Cash and Cash Equivalents - Beginning of Year	171	154	39,044
Cash and Cash Equivalents - End of Year	$ 121	$ 79	$ 38,592
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ -	$ 1	$ 3,405
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Net Changes in Assets and Liabilities:			
Loans, Notes and Bonds Receivable - Net	-	3	(3,484)
Interest and Dividends Receivable - Net	-	-	375
Other Assets	-	-	69
Accounts Payable and Accrued Liabilities	(5)	-	653
Net Cash Provided (Used) by Operating Activities	$ (5)	$ 4	$ 1,018
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	$ 121	$ 79	$ 38,592
Cash, End of Year	$ 121	$ 79	$ 38,592
Noncash Investing, Capital, and Financing Activities:			
Transfers (Out to) Other Funds (Accrual)	(17)	(29)	-

Historical District Revolving Loan	Fisheries Enhancement Revolving Loan	Mining Revolving Loan	Alaska Capstone Avionics Revolving Loan	Total Commercial Assistance Enterprise Funds
$ -	$ 9	$ 2	$ -	$ 501
-		-	-	402
15	3,894	-	62	14,852
6	5,035	-	1	10,566
-	-	-	-	(3,021)
-	(1,808)	-	(170)	(14,534)
-	(400)	-	-	(1,218)
-	-	-	-	439
-	(1)	-	-	(325)
21	6,729	2	(107)	7,662
(21)	(18)	(2)	(19)	(1,726)
-	-	-	4,800	4,819
-	-	-	-	53
(21)	(18)	(2)	4,781	3,146
-	-	-	188	188
-	-	-	188	188
-	6,711	-	4,862	10,996
96	18,678	252	-	58,395
$ 96	$ 25,389	$ 252	$ 4,862	$ 69,391
$ 7	$ 3,294	$ 2	$ (2)	$ 6,707
14	2,381	-	(105)	(1,191)
-	1,054	-	-	1,429
-	-	-	-	69
-	-	-	-	648
$ 21	$ 6,729	$ 2	$ (107)	$ 7,662
$ 96	$ 25,389	$ 252	$ 4,862	$ 69,391
$ 96	$ 25,389	$ 252	$ 4,862	$ 69,391
(21)	-	(52)	-	(119)

STATE OF ALASKA **STATEMENT 4.21**
Combining Statement of Net Assets
Energy Assistance Enterprise Funds
June 30, 2009
(Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
ASSETS				
Current Assets:				
Cash and Investments	$ 131	$ 4	$ 6,611	$ 6,746
Loans, Notes, and Bonds Receivable	1	-	1,038	1,039
Total Current Assets	132	4	7,649	7,785
Noncurrent Assets:				
Loans, Notes, and Bonds Receivable	4	-	-	4
Total Noncurrent Assets	4	-	-	4
Total Assets	136	4	7,649	7,789
LIABILITIES				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	-	-	35	35
Due to Other Funds	6	2	2	10
Total Current Liabilities	6	2	37	45
Total Liabilities	6	2	37	45
NET ASSETS				
Unrestricted	130	2	7,612	7,744
Total Net Assets	$ 130	$ 2	$ 7,612	$ 7,744

STATE OF ALASKA **STATEMENT 4.22**
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
OPERATING REVENUES				
Interest and Investment Income	$ 6	$ 2	$ -	$ 8
Total Operating Revenues	6	2	-	8
OPERATING EXPENSES				
Operating	-	-	154	154
Total Operating Expenses	-	-	154	154
Operating Income (Loss)	6	2	(154)	(146)
NONOPERATING REVENUES (EXPENSES)				
Interest and Investment Income	-	-	188	188
Total Nonoperating Revenues (Expenses)	-	-	188	188
Income Before Capital Contributions and Transfers	6	2	34	42
Transfers In from Other Funds	-	-	7,578	7,578
Transfers (Out to) Other Funds	(6)	(2)	-	(8)
Change in Net Assets	-	-	7,612	7,612
Total Net Assets - Beginning of Year	130	2	-	132
Total Net Assets - End of Year	$ 130	$ 2	$ 7,612	$ 7,744

STATE OF ALASKA **STATEMENT 4.23**
Combining Statement of Cash Flows
Energy Assistance Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Alternative Energy Revolving Loan	Residential Energy Conservation	Bulk Fuel Bridge Loan	Total Energy Assistance Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$ 4	$ 2	$ -	$ 6
Receipts of Principal from Loan Recipients	1	-	3,958	3,959
Receipt of Interest and Fees from Loan Recipients	1	-	-	1
Payments to Employees	-	-	(24)	(24)
Payments to Loan Recipients	-	-	(3,744)	(3,744)
Other Payments	-	-	(116)	(116)
Net Cash Provided (Used) by Operating Activities	6	2	74	82
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers (Out to) Other Funds	(81)	(4)	-	(85)
Operating Subsidies and Transfers In from Other Funds	-	-	6,348	6,348
Net Cash Provided (Used) by Noncapital Financing Activities	(81)	(4)	6,348	6,263
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Dividends on Investments	-	-	189	189
Net Cash Provided (Used) by Investing Activities	-	-	189	189
Net Increase (Decrease) in Cash	(75)	(2)	6,611	6,534
Cash and Cash Equivalents - Beginning of Year	206	6	-	212
Cash and Cash Equivalents - End of Year	$ 131	$ 4	$ 6,611	$ 6,746
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ 6	$ 2	$ (154)	$ (146)
Net Changes in Assets and Liabilities:				
Loans, Notes and Bonds Receivable - Net	-	-	191	191
Due to Other Funds	-	-	2	2
Accounts Payable and Accrued Liabilities	-	-	35	35
Net Cash Provided (Used) by Operating Activities	$ 6	$ 2	$ 74	$ 82
Reconciliation of Cash to the Statement of Net Assets:				
Total Cash and Investments per the Statement of Net Assets	$ 131	$ 4	$ 6,611	$ 6,746
Cash, End of Year	$ 131	$ 4	$ 6,611	$ 6,746
Noncash Investing, Capital, and Financing Activities:				
Transfers (Out to) Other Funds (Accrual)	(6)	(2)	-	(8)

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STATE OF ALASKA **STATEMENT 4.31**
Combining Statement of Net Assets
Other Agencies Enterprise Funds
June 30, 2009
(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
ASSETS			
Current Assets:			
Cash and Investments	$ 207	$ 5,865	$ 89,227
Accounts Receivable - Net	-	40	-
Interest and Dividends Receivable	-	88	1,124
Due from Other Governments	-	-	26
Loans, Notes, and Bonds Receivable	-	959	12,603
Total Current Assets	207	6,952	102,980
Noncurrent Assets:			
Loans, Notes, and Bonds Receivable	-	9,176	105,671
Repossessed Property	-	797	-
Investment in Projects, Partnerships, or Corporations	-	3,658	-
Other Noncurrent Assets	-	1,293	-
Capital Assets:			
Construction in Progress	-	-	-
Total Noncurrent Assets	-	14,924	105,671
Total Assets	207	21,876	208,651
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	-	75	-
Due to Other Funds	-	62	26
Due to Other Governments	-	-	770
Claims, Judgments, Compensated Absences and Pollution Remediation	-	36	-
Other Current Liabilities	-	1,532	-
Total Current Liabilities	-	1,705	796
Noncurrent Liabilities:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	105	-
Total Noncurrent Liabilities	-	105	-
Total Liabilities	-	1,810	796
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	-	-
Restricted for:			
Health and Human Services	-	-	207,855
Other Purposes	207	-	-
Unrestricted	-	20,066	-
Total Net Assets	$ 207	$ 20,066	$ 207,855

STATEMENT 4.31

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
$ 46,800	$ -	$ 142,099
-	-	40
875	-	2,087
27	-	53
3,863	-	17,425
51,565	-	161,704
92,298	-	207,145
-	-	797
-	-	3,658
-	2,111	3,404
-	36,468	36,468
92,298	38,579	251,472
143,863	38,579	413,176
-	348	423
24	1,665	1,777
-	-	770
-	-	36
-	258	1,790
24	2,271	4,796
-	-	105
-	-	105
24	2,271	4,901
-	36,468	36,468
143,839	-	351,694
-	-	207
-	(160)	19,906
$ 143,839	$ 36,308	$ 408,275

STATE OF ALASKA **STATEMENT 4.32**
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
OPERATING REVENUES			
Charges for Goods and Services	$ -	$ 61	$ 348
Interest and Investment Income	-	538	1,300
Fines and Forfeitures	-	3	2
Federal Grants in Aid	-	-	392
Total Operating Revenues	-	602	2,042
OPERATING EXPENSES			
Operating	-	445	231
Depreciation	-	36	-
Other Operating Expenses	-	-	100
Total Operating Expenses	-	481	331
Operating Income (Loss)	-	121	1,711
NONOPERATING REVENUES (EXPENSES)			
Interest and Investment Income	9	23	3,565
Interest and Investment Expense	-	(1,622)	(2)
Other Nonoperating Revenues (Expenses)	-	(138)	(770)
Total Nonoperating Revenues (Expenses)	9	(1,737)	2,793
Income Before Capital Contributions and Transfers	9	(1,616)	4,504
Capital Contributions	-	-	6,757
Transfers In from Other Funds	-	45	-
Special Item:			
Pension Obligation and Other Post Employment	-	39	29
Change in Net Assets	9	(1,532)	11,290
Total Net Assets - Beginning of Year	198	21,598	196,565
Total Net Assets - End of Year	$ 207	$ 20,066	$ 207,855

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
$ 256	$ -	$ 665
1,001	-	2,839
2	-	7
424	-	816
1,683	-	4,327
302	890	1,868
-	-	36
109	-	209
411	890	2,113
1,272	(890)	2,214
1,942	-	5,539
(1)	-	(1,625)
-	736	(172)
1,941	736	3,742
3,213	(154)	5,956
12,554	2,928	22,239
550	704	1,299
30	46	144
16,347	3,524	29,638
127,492	32,784	378,637
$ 143,839	$ 36,308	$ 408,275

STATE OF ALASKA **STATEMENT 4.33**
Combining Statement of Cash Flows
Other Agencies Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Alcoholism and Drug Abuse Revolving Loan	Agricultural Revolving Loan	Alaska Clean Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Other Governments	$ -	$ -	$ 402
Receipts of Principal from Loan Recipients	-	1,646	12,517
Receipt of Interest and Fees from Loan Recipients	-	584	2,021
Payments to Employees	-	(183)	(291)
Payments to Suppliers	-	(144)	(100)
Payments to Other Governments	-	-	-
Payments to Loan Recipients	-	(2,489)	(15,668)
Other Receipts	-	120	-
Other Payments	-	(61)	27
Net Cash Provided (Used) by Operating Activities	-	(527)	(1,092)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Subsidies and Transfers (Out to) Other Funds	-	(169)	-
Operating Subsidies and Transfers In from Other Funds	-	-	-
Federal Grants	-	-	6,757
Proceeds from Issuance of Short-term Debt	-	-	1,255
Payments on Short-term Debt	-	-	(1,255)
Interest and Fees Paid on Borrowing	-	-	(1)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(169)	6,756
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	-	-
Federal Grants	-	-	-
Other Receipts (Payments)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales/Maturities of Investments	-	1,532	-
Interest and Dividends on Investments	9	-	3,565
Net Cash Provided (Used) by Investing Activities	9	1,532	3,565
Net Increase (Decrease) in Cash	9	836	9,229
Cash and Cash Equivalents - Beginning of Year	198	5,029	79,998
Cash and Cash Equivalents - End of Year	$ 207	$ 5,865	$ 89,227
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ -	$ 121	$ 1,711
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	-	36	-
Other Reconciling Items	-	(1,533)	-
Net Changes in Assets and Liabilities:			
Accounts Receivable - Net	-	62	-
Due From Other Funds	-	-	1
Due From Other Governments	-	-	10
Loans, Notes and Bonds Receivable - Net	-	(747)	(3,152)
Repossessed Property	-	40	-
Investment in Projects, Partnerships, or Corporations	-	1,622	-
Interest and Dividends Receivable - Net	-	-	372
Other Assets	-	(35)	-
Due to Other Funds	-	25	26
Accounts Payable and Accrued Liabilities	-	-	(60)
Obligations Under Securities Lending	-	(111)	-
Other Liabilities	-	(7)	-
Net Cash Provided (Used) by Operating Activities	$ -	$ (527)	$ (1,092)
Reconciliation of Cash to the Statement of Net Assets:			
Total Cash and Investments per the Statement of Net Assets	$ 207	$ 5,865	$ 89,227
Cash, End of Year	$ 207	$ 5,865	$ 89,227

Alaska Drinking Water	Knik Arm Bridge and Toll Authority	Total Other Agencies Enterprise Funds
$ 436	$ -	$ 838
3,826	-	17,989
1,200	-	3,805
(315)	(337)	(1,126)
(109)	(623)	(976)
-	(348)	(348)
(25,740)	-	(43,897)
-	-	120
(10)	-	(44)
(20,712)	(1,308)	(23,639)
550	-	381
-	208	208
12,554	1,061	20,372
1,079	39	2,373
(1,079)	-	(2,334)
(1)	-	(2)
13,103	1,308	20,998
-	(3,387)	(3,387)
-	3,448	3,448
-	(61)	(61)
-	-	1,532
1,941	-	5,515
1,941	-	7,047
(5,668)	-	4,406
52,468	-	137,693
$ 46,800	$ -	$ 142,099
$ 1,272	$ (890)	$ 2,214
-	-	36
-	-	(1,533)
-	-	62
-	(158)	(157)
12	-	22
(21,915)	-	(25,814)
-	-	40
-	-	1,622
(58)	-	314
-	10	(25)
(10)	(25)	16
(13)	(219)	(292)
-	-	(111)
-	(26)	(33)
$ (20,712)	$ (1,308)	$ (23,639)
$ 46,800	$ -	$ 142,099
$ 46,800	$ -	$ 142,099

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Internal Service Funds

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

- **Alaska Public Building Fund (Fund 11165)** – AS 37.05.570 – Administered by the Department of Administration. Effective July 1, 2000, the Department of Administration began to manage the maintenance and operations of eight state owned buildings. The goals are to manage these buildings, in good order and a functional state, while providing cost effective and efficient space for state agencies and private tenants (until private tenant leases expire and space is converted to state agency use), to retain maximum value of these state assets, and to maximize revenue from non-general fund sources.

- **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 **STATEMENT 4.41**
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009
(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
ASSETS		
Current Assets:		
Cash and Investments	$ 44,741	$ 13,997
Accounts Receivable - Net	15	-
Due from Other Funds	-	-
Inventories	-	-
Other Current Assets	841	2
Total Current Assets	45,597	13,999
Noncurrent Assets:		
Capital Assets:		
Equipment, Net of Depreciation	-	-
Buildings, Net of Depreciation	-	94,054
Construction in Progress	-	-
Total Noncurrent Assets	-	94,054
Total Assets	45,597	108,053
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	13,249	1,073
Due to Other Funds	1,341	220
Claims, Judgments, Compensated Absences and Pollution Remediation	15	82
Other Current Liabilities	-	-
Total Current Liabilities	14,605	1,375
Noncurrent Liabilities:		
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-
Other Noncurrent Liabilities	-	-
Total Noncurrent Liabilities	-	-
Total Liabilities	14,605	1,375
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	-	94,054
Unrestricted	30,992	12,624
Total Net Assets	$ 30,992	$ 106,678

STATEMENT 4.41

Information Services		Highways Equipment Working Capital		Total Internal Service Funds	
$	30,643	$	14,886	$	104,267
	12		38		65
	5,177		3,558		8,735
	-		3,178		3,178
	2,674		-		3,517
	38,506		21,660		119,762
	49,315		104,616		153,931
	-		127		94,181
	10,398		-		10,398
	59,713		104,743		258,510
	98,219		126,403		378,272
	2,295		1,310		17,927
	-		-		1,561
	1,011		1,245		2,353
	1,267		-		1,267
	4,573		2,555		23,108
	152		562		714
	325		-		325
	477		562		1,039
	5,050		3,117		24,147
	58,122		104,742		256,918
	35,047		18,544		97,207
$	93,169	$	123,286	$	354,125

STATE OF ALASKA **STATEMENT 4.42**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
OPERATING REVENUES		
Premiums and Contributions	$ 75,268	$ -
Charges for Goods and Services	-	12,167
Other Operating Revenues	745	-
Total Operating Revenues	76,013	12,167
OPERATING EXPENSES		
Benefits	80,599	-
Operating	5,346	9,890
Depreciation	-	4,073
Total Operating Expenses	85,945	13,963
Operating Income (Loss)	(9,932)	(1,796)
NONOPERATING REVENUES (EXPENSES)		
Interest and Investment Income	2,014	3
Interest and Investment Expense	-	-
Gain (Loss) on Disposal of Capital Assets	-	-
Other Nonoperating Revenues (Expenses)	-	-
Total Nonoperating Revenues (Expenses)	2,014	3
Income Before Capital Contributions and Transfers	(7,918)	(1,793)
Capital Contributions	-	42,543
Transfers In from Other Funds	-	4,884
Special Item: Pension Obligation and Other Post Employment	-	99
Change in Net Assets	(7,918)	45,733
Total Net Assets - Beginning of Year	38,910	60,945
Total Net Assets - End of Year	$ 30,992	$ 106,678

STATEMENT 4.42

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
$ -	$ -	$ 75,268
34,841	48,043	95,051
-	-	745
34,841	48,043	171,064
-	-	80,599
39,941	29,688	84,865
4,523	13,892	22,488
44,464	43,580	187,952
(9,623)	4,463	(16,888)
-	-	2,017
(100)	(42)	(142)
-	(663)	(663)
-	89	89
(100)	(616)	1,301
(9,723)	3,847	(15,587)
17,921	4,647	65,111
7,991	1,204	14,079
998	1,408	2,505
17,187	11,106	66,108
75,982	112,180	288,017
$ 93,169	$ 123,286	$ 354,125

STATE OF ALASKA **STATEMENT 4.43**
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Group Health and Life Benefits	Alaska Public Building
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Other Governments	$ -	$ -
Receipts from Customers	-	297
Receipts for Interfund Services Provided	-	12,167
Receipts from Insured	75,329	-
Payments to Employees	(194)	(1,451)
Payments to Suppliers	(5,821)	(8,204)
Claims Paid	(78,003)	-
Other Receipts	745	30
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	(7,944)	2,839
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies and Transfers (Out to) Other Funds	-	220
Operating Subsidies and Transfers In from Other Funds	-	4,984
Net Cash Provided (Used) by Noncapital Financing Activities	-	5,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	-	-
Acquisition and Construction of Capital Assets	-	(6,277)
Principal Paid on Capital Debt	-	-
Interest and Fees Paid on Capital Debt	-	-
Other Receipts (Payments)	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(6,277)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and Dividends on Investments	2,014	3
Net Cash Provided (Used) by Investing Activities	2,014	3
Net Increase (Decrease) in Cash	(5,930)	1,769
Cash and Cash Equivalents - Beginning of Year	50,671	12,228
Cash and Cash Equivalents - End of Year	$ 44,741	$ 13,997
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$ (9,932)	$ (1,796)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	-	4,073
Net Changes in Assets and Liabilities:		
Accounts Receivable - Net	62	297
Due from Other Funds	-	30
Inventories	-	-
Other Assets	(841)	9
Due to Other Funds	731	-
Accounts Payable and Accrued Liabilities	2,036	305
Other Liabilities	-	(79)
Net Cash Provided (Used) by Operating Activities	$ (7,944)	$ 2,839
Reconciliation of Cash to the Statement of Net Assets:		
Total Cash and Investments per the Statement of Net Assets	$ 44,741	$ 13,997
Cash, End of Year	$ 44,741	$ 13,997
Noncash Investing, Capital, and Financing Activities:		
Contributed Capital Assets	-	42,543

Information Services	Highways Equipment Working Capital	Total Internal Service Funds
$ 67	$ -	$ 67
-	-	297
31,160	48,047	91,374
-	-	75,329
(13,084)	(15,890)	(30,619)
(27,370)	(12,565)	(53,960)
-	-	(78,003)
-	-	775
-	(773)	(773)
(9,227)	18,819	4,487
-	-	220
8,912	581	14,477
8,912	581	14,697
-	1,007	1,007
(8,706)	(11,397)	(26,380)
(1,214)	(1,099)	(2,313)
(100)	(42)	(142)
-	89	89
(10,020)	(11,442)	(27,739)
-	-	2,017
-	-	2,017
(10,335)	7,958	(6,538)
40,978	6,928	110,805
$ 30,643	$ 14,886	$ 104,267
$ (9,623)	$ 4,463	$ (16,888)
4,523	13,892	22,488
9	4	372
(3,623)	-	(3,593)
-	(310)	(310)
(474)	-	(1,306)
-	-	731
(154)	795	2,982
115	(25)	11
$ (9,227)	$ 18,819	$ 4,487
$ 30,643	$ 14,886	$ 104,267
$ 30,643	$ 14,886	$ 104,267
17,000	4,963	64,506

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Fiduciary Funds

Trust and agency funds are fiduciary in nature and are maintained to account for assets held by the State acting in the capacity as a trustee or agent. The following are the State's trust and agency funds.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

- **Alaska National Guard and Alaska Naval Militia Retirement System (Fund 35030)** – AS 26.05.222 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Alaska National Guard and Alaska Naval Militia Retirement System.
- **Deferred Compensation (Fund 32014)** – AS 39.45.010 – Administered by the Department of Administration. This fund consists of compensation deferred by employees under the State's deferred compensation plan allowed under Section 457 of the Internal Revenue Code.
- **Judicial Retirement System (Fund 35003)** – AS 22.25.048 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Judicial Retirement System.
- **Public Employees' Retirement System (Fund 35006)** – AS 39.35.095-680, AS 39.35.700-990 – Administered by the Department of Administration. This fund consists of accumulated assets held for the purpose of paying benefits provided by the Public Employees' Retirement System.
- **Retiree Health (Fund 11159)** – AS 39.37.010, AS 22.25.048, AS 39.35.003, AS 14.25.010 – Administered by the Department of Administration. The State began a self-insurance program to provide health care coverage for retirees covered by the retirement programs administered by the State. This fund consists of accumulated assets held for the purpose of paying health care claims for retirees and accounts for transactions pertaining to the self-insurance program.
- **Supplemental Benefits System (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 **STATEMENT 5.01**
Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
June 30, 2009
(Stated in Thousands)

	Retiree Health	Deferred Compensation	Supplemental Benefits
ASSETS			
Cash and Cash Equivalents	$ 37,820	$ 7,309	$ 24,906
Investments:			
Short-Term Investments	613	1,239	6,331
U.S. Treasury	10,300	-	-
U.S. Government Agency	1,604	36,704	66,955
Foreign Government Bonds	-	-	-
Mortgage-Backed	18,370	77,679	117,161
Other Asset-Backed	459	3,610	6,362
Corporate Bonds	7,686	28,773	39,601
Yankees	1,584	5,014	7,319
Fixed Income Pool	-	-	-
Domestic Equity Pool	78,278	-	-
International Equity Pool	33,717	-	-
Emerging Markets Equity Pool	-	-	-
Private Equity Pool	-	-	-
Absolute Return Pool	-	-	-
Real Estate Pool	-	-	-
Participant-Directed	-	280,288	1,536,628
Other Net Investments	1,807	-	-
Investment Loss Trust Fund Assets	-	-	1,862
Accounts Receivable - Net	-	-	-
Contributions Receivable	63	1,426	6,876
Interest and Dividends Receivable	75	-	-
Due from Other Funds	-	-	-
Other Assets	352	-	-
Total Assets	192,728	442,042	1,814,001
LIABILITIES			
Accounts Payable and Accrued Liabilities	19,843	-	2,821
Due to Other Funds	7,313	-	-
Total Liabilities	27,156	-	2,821
NET ASSETS			
Held in Trust for:			
Pension Benefits	-	-	-
Postemployment Healthcare Benefits	165,572	-	-
Individuals, Organizations, and Other Governments	-	442,042	1,811,180
Total Net Assets	$ 165,572	$ 442,042	$ 1,811,180

	Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
$	39,636	$ 19,704	$ 952	$ 2	$ 130,329
	36,574	16,007	526	59	61,349
	234,844	96,603	3,545	2,545	347,837
	20,154	8,389	283	280	134,369
	80,451	34,994	1,025	-	116,470
	509,202	211,942	7,151	7,093	948,598
	8,483	3,556	117	100	22,687
	401,166	170,771	5,375	2,782	656,154
	69,957	29,365	966	792	114,997
	246	107	3	-	356
	2,811,252	1,232,941	33,214	8,356	4,164,041
	1,261,579	553,755	19,428	3,000	1,871,479
	427,343	188,307	4,335	-	619,985
	734,718	322,111	6,687	-	1,063,516
	377,688	165,892	4,844	-	548,424
	1,424,943	624,282	15,211	-	2,064,436
	51,953	24,539	-	-	1,893,408
	99,979	43,578	1,325	498	147,187
	-	-	-	-	1,862
	2,084	853	7	-	2,944
	22,053	5,591	287	-	36,296
	-	-	-	-	75
	14,196	13,881	13	-	28,090
	2,824	984	8	-	4,168
	8,631,325	3,768,152	105,302	25,507	14,979,057
	9,747	3,913	45	65	36,434
	5,946	1,293	68	12	14,632
	15,693	5,206	113	77	51,066
	8,535,815	3,727,466	89,849	25,430	12,378,560
	79,817	35,480	15,340	-	296,209
	-	-	-	-	2,253,222
$	8,615,632	$ 3,762,946	$ 105,189	$ 25,430	$ 14,927,991

STATE OF ALASKA **STATEMENT 5.02**
Combining Statement of Changes in Fiduciary Net Assets
Pension and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Retiree Health	Deferred Compensation	Supplemental Benefits
ADDITIONS			
Premiums and Contributions:			
Employer	$ 1,287	$ -	$ 65,936
Member	45,821	36,526	70,916
Other	4,320	-	-
Total Premiums and Contributions	51,428	36,526	136,852
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments	(27,436)	(111,442)	(409,915)
Interest	1,383	5,481	5,997
Dividends	2,849	-	-
Total Investment Income	(23,204)	(105,961)	(403,918)
Less Investment Expense	79	-	-
Net Investment Income	(23,283)	(105,961)	(403,918)
Other Additions	-	-	113
Total Additions	28,145	(69,435)	(266,953)
DEDUCTIONS			
Benefits Paid	38,473	33,315	130,416
Insurance Premiums	-	-	3,964
Refunds of Premiums and Contributions	-	-	-
Administrative Expenses	1,725	811	3,163
Total Deductions	40,198	34,126	137,543
Net Increase (Decrease) in Net Assets Held in Trust for:			
Pension Benefits	-	-	-
Postemployment Healthcare Benefits	(12,053)	-	-
Individuals, Organizations, and Other Governments	-	(103,561)	(404,496)
Net Assets - Beginning of the Year	177,625	545,603	2,215,676
Net Assets - End of the Year	$ 165,572	$ 442,042	$ 1,811,180

Public Employees' Retirement	Teachers' Retirement	Judicial Retirement	Alaska National Guard and Alaska Naval Militia Retirement	Total Pension and Other Employee Benefit Trust Funds
$ 407,452	$ 86,128	$ 6,349	$ 2,473	$ 569,625
141,073	61,737	610	-	356,683
241,600	206,300	28	-	452,248
790,125	354,165	6,987	2,473	1,378,556
(2,478,194)	(1,124,022)	(31,102)	(3,599)	(4,185,710)
91,358	40,117	1,301	802	146,439
213,324	95,074	2,621	276	314,144
(2,173,512)	(988,831)	(27,180)	(2,521)	(3,725,127)
17,970	8,045	172	25	26,291
(2,191,482)	(996,876)	(27,352)	(2,546)	(3,751,418)
8,780	3,598	-	-	12,491
(1,392,577)	(639,113)	(20,365)	(73)	(2,360,371)
722,493	408,719	8,138	1,535	1,343,089
-	-	-	-	3,964
13,884	4,067	-	-	17,951
20,718	8,402	119	151	35,089
757,095	421,188	8,257	1,686	1,400,093
(2,191,098)	(1,076,905)	(26,361)	(1,759)	(3,296,123)
41,426	16,604	(2,261)	-	43,716
-	-	-	-	(508,057)
10,765,304	4,823,247	133,811	27,189	18,688,455
$ 8,615,632	$ 3,762,946	$ 105,189	$ 25,430	$ 14,927,991

STATE OF ALASKA **STATEMENT 5.11**

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009
(Stated in Thousands)

	Deposits, Suspense, and Miscellaneous	Wage and Hour
ASSETS		
Cash and Cash Equivalents	$ 138,282	$ 136
Investments	-	-
Accounts Receivable - Net	5	-
Total Assets	$ 138,287	$ 136
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 2,978	$ 14
Trust Deposits Payable	128,790	122
Due to Other Funds	6,519	-
Total Liabilities	$ 138,287	$ 136

STATEMENT 5.11

Public Advocacy		Exxon Valdez Oil Spill Investment		Impact Aid PL 103-382		Total Agency Funds	
$	13,965	$	-	$	-	$	152,383
	-		150,126		-		150,126
	-		-		-		5
$	13,965	$	150,126	$	-	$	302,514
$	-	$	-	$	-	$	2,992
	13,919		149,967		-		292,798
	46		159		-		6,724
$	13,965	$	150,126	$	-	$	302,514

STATE OF ALASKA **STATEMENT 5.12**
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
DEPOSITS, SUSPENSE, AND MISCELLANEOUS				
ASSETS				
Cash and Cash Equivalents	$ 131,438	$ 132,682	$ 125,838	$ 138,282
Accounts Receivable - Net	4	1	-	5
Due from Other Funds	2,157	-	2,157	-
Total Assets	$ 133,599	$ 132,683	$ 127,995	$ 138,287
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 3,442	$ 53,457	$ 53,921	$ 2,978
Trust Deposits Payable	125,260	134,669	131,139	128,790
Due to Other Funds	4,897	6,520	4,898	6,519
Total Liabilities	$ 133,599	$ 194,646	$ 189,958	$ 138,287
WAGE AND HOUR				
ASSETS				
Cash and Cash Equivalents	$ 126	$ 132	$ 122	$ 136
Total Assets	$ 126	$ 132	$ 122	$ 136
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 5	$ 135	$ 126	$ 14
Trust Deposits Payable	121	135	134	122
Total Liabilities	$ 126	$ 270	$ 260	$ 136
PUBLIC ADVOCACY				
ASSETS				
Cash and Cash Equivalents	$ 11,372	$ 147	$ 512	$ 11,007
Due from Other Funds	-	20,896	17,938	2,958
Total Assets	$ 11,372	$ 21,043	$ 18,450	$ 13,965
LIABILITIES				
Trust Deposits Payable	$ 11,372	$ 8,344	$ 5,797	$ 13,919
Due to Other Funds	-	46	-	46
Total Liabilities	$ 11,372	$ 8,390	$ 5,797	$ 13,965
EXXON VALDEZ OIL SPILL INVESTMENT				
ASSETS				
Investments	$ 193,080	$ 29,413	$ 72,367	$ 150,126
Total Assets	$ 193,080	$ 29,413	$ 72,367	$ 150,126
LIABILITIES				
Trust Deposits Payable	$ 192,992	$ 29,254	$ 72,279	$ 149,967
Due to Other Funds	88	159	88	159
Total Liabilities	$ 193,080	$ 29,413	$ 72,367	$ 150,126

This statement continued on the next page.

STATE OF ALASKA **STATEMENT 5.12**
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
IMPACT AID PL 103-382				
ASSETS				
Cash and Cash Equivalents	$ 110	$ 27,360	$ 27,470	$ -
Total Assets	$ 110	$ 27,360	$ 27,470	$ -
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 109	$ -	$ 109	$ -
Due to Other Funds	1	-	1	-
Total Liabilities	$ 110	$ -	$ 110	$ -
TOTAL AGENCY FUNDS				
ASSETS				
Cash and Cash Equivalents	$ 143,046	$ 160,321	$ 153,942	$ 149,425
Investments	193,080	29,413	72,367	150,126
Accounts Receivable - Net	4	1	-	5
Due from Other Funds	2,157	20,896	20,095	2,958
Total Assets	$ 338,287	$ 210,631	$ 246,404	$ 302,514
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 3,556	$ 53,592	$ 54,156	$ 2,992
Trust Deposits Payable	329,745	172,402	209,349	292,798
Due to Other Funds	4,986	6,725	4,987	6,724
Total Liabilities	$ 338,287	$ 232,719	$ 268,492	$ 302,514

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Nonmajor Component Units

A description of the individual Component Units is contained in the Notes to the Basic Financial Statements, Note 1A.

STATE OF ALASKA **STATEMENT 6.01**
Combining Statement of Net Assets
Nonmajor Component Units
June 30, 2009
(Stated in Thousands)

	Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation
ASSETS			
Cash and Investments	$ 67,001	$ 22,286	$ 17,095
Accounts Receivable - Net	-	-	23,325
Interest and Dividends Receivable	5,804	3,595	-
Due from Primary Government	-	-	26
Due from Component Units	-	-	-
Due from Other Governments	-	-	5,863
Loans, Notes, and Bonds Receivable	565,214	115,661	-
Inventories	-	-	18,522
Securities Lending Collateral	-	-	-
Restricted Assets	-	600,854	86,163
Other Assets	-	315	2,953
Capital Assets:			
Equipment, Net of Depreciation	-	-	134,910
Buildings, Net of Depreciation	-	-	667
Infrastructure, Net of Depreciation	-	-	472,204
Land	-	-	28,511
Construction in Progress	-	-	63,883
Total Assets	638,019	742,711	854,122
LIABILITIES			
Accounts Payable and Accrued Liabilities	13	930	26,265
Obligations Under Securities Lending	-	-	-
Due to Primary Government	-	14,671	-
Due to Component Units	-	-	-
Due to Other Governments	-	798	-
Interest Payable	5,568	3,063	-
Other Current Liabilities	-	1,637	-
Long-term Liabilities:			
Portion Due or Payable Within One Year:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-	439
Unearned and Deferred Revenue	1,492	1,413	5,581
Notes, Bonds, and Leases Payable	30,195	32,010	12,179
Other Long-term Debt	2,590	-	-
Other Noncurrent Liabilities	-	-	-
Portion Due or Payable After One Year:			
Claims, Judgments, Compensated Absences and Pollution Remediation	-	-	30,947
Unearned and Deferred Revenue	-	4,347	416,068
Notes, Bonds, and Leases Payable	546,065	502,177	182,502
Other Long-term Debt	8,373	-	-
Other Noncurrent Liabilities	-	1,016	410
Total Liabilities	594,296	562,062	674,391
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	-	-	160,612
Restricted for:			
Permanent Funds			
Nonexpendable	-	-	-
Expendable	-	-	-
Education	-	39,963	-
Debt Service	31,673	-	-
Other Purposes	-	-	19,119
Unrestricted	12,050	140,686	-
Total Net Assets	$ 43,723	$ 180,649	$ 179,731

Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Alaska Seafood Marketing Institute	Total Nonmajor Component Units
$ 490,479	$ 15,343	$ 402,740	$ -	$ -	$ 1,014,944
5,355	-	26	-	-	28,706
1,242	-	7,494	-	-	18,135
78	-	-	4,678	3,603	8,385
62	-	-	-	-	62
3,566	3,834	-	-	-	13,263
27,276	-	5,343	-	-	713,494
-	381	-	-	-	18,903
-	-	22,702	-	-	22,702
-	-	-	-	-	687,017
-	-	6	-	22	3,296
180	25,533	171	-	-	160,794
-	30,545	6,640	-	-	37,852
240,883	24,010	-	-	-	737,097
-	-	2,231	-	-	30,742
3,991	3,507	-	5,057	-	76,438
773,112	103,153	447,353	9,735	3,625	3,571,830
25,170	1,537	19,403	-	1,909	75,227
-	-	22,702	-	-	22,702
94	-	579	-	-	15,344
1,852	-	-	-	-	1,852
-	-	-	-	-	798
3,120	-	-	-	-	11,751
-	-	975	-	-	2,612
-	541	446	9	28	1,463
2,189	-	1,271	-	-	11,946
6,030	-	-	-	-	80,414
-	-	-	-	-	2,590
357	-	-	-	-	357
-	-	-	57	2	31,006
-	9,575	-	-	-	429,990
107,301	-	-	-	-	1,338,045
	-	-	-	-	8,373
277	-	-	-	-	1,703
146,390	11,653	45,376	66	1,939	2,036,173
131,724	83,595	9,042	5,057	-	390,030
-	-	308,157	-	-	308,157
-	-	84,778	-	-	84,778
-	-	-	-	-	39,963
19,896	-	-	-	-	51,569
21,883	-	-	-	1,686	42,688
453,219	7,905	-	4,612	-	618,472
$ 626,722	$ 91,500	$ 401,977	$ 9,669	$ 1,686	$ 1,535,657

STATE OF ALASKA **STATEMENT 6.02**
Combining Statement of Activities
Nonmajor Component Units
For the Fiscal Year Ended June 30, 2009
(Stated in Thousands)

		Program Revenues		
	Expenses	Charges for Services, Royalties and Other Fees	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Nonmajor Component Units:				
Alaska Municipal Bond Bank Authority	$ 26,825	$ -	$ -	$ -
Alaska Student Loan Corporation	36,332	38,870	-	-
Alaska Railroad Corporation	198,753	137,599	9,757	32,708
Alaska Energy Authority	133,410	19,653	81,939	-
Alaska Aerospace Development Corporation	23,587	18,620	-	2,019
Alaska Mental Health Trust Authority	25,487	5,424	(33,398)	(39,035)
Alaska Natural Gas Development Authority	1,510	-	-	-
Alaska Seafood Marketing Institute	13,672	141	3,264	-
Total Nonmajor Component Units	$ 459,576	$ 220,307	$ 61,562	$ (4,308)

General Revenues:
Interest and Investment Income (Loss)
Taxes
Payments In from Primary Government
Other Revenues
Special Items:
Pension Obligation and Other Post Employment
Total General Revenues and Special Revenues
Change in Net Assets
Net Assets - Beginning of Year
Prior Period Adjustment
Changes in Accounting Principles
Net Assets - End of Year

Net (Expense) Revenue and Changes in Net Assets

Alaska Municipal Bond Bank Authority	Alaska Student Loan Corporation	Alaska Railroad Corporation	Alaska Energy Authority	Alaska Aerospace Development Corporation	Alaska Mental Health Trust Authority	Alaska Natural Gas Development Authority	Alaska Seafood Marketing Institute	Total Nonmajor Component Units
$ (26,825)	$	$	$	$	$	$	$	$ (26,825)
	2,538							2,538
		(18,689)						(18,689)
			(31,818)					(31,818)
				(2,948)				(2,948)
					(92,496)			(92,496)
						(1,510)		(1,510)
							(10,267)	(10,267)
(26,825)	2,538	(18,689)	(31,818)	(2,948)	(92,496)	(1,510)	(10,267)	(182,015)
27,558	1,122	364	(43,628)	44	-	-	-	(14,540)
-	-	-	-	-	-	-	9,016	9,016
820	-	-	105,501	3,855	325	324	750	111,575
-	-	-	-	-	-	-	1	1
-	-	-	-	583	203	25	-	811
28,378	1,122	364	61,873	4,482	528	349	9,767	106,863
1,553	3,660	(18,325)	30,055	1,534	(91,968)	(1,161)	(500)	(75,152)
42,170	176,989	198,143	596,667	89,966	486,539	10,830	-	1,601,304
-	-	-	-	-	-	-	2,186	2,186
-	-	(87)	-	-	7,406	-	-	7,319
$ 43,723	$ 180,649	$ 179,731	$ 626,722	$ 91,500	$ 401,977	$ 9,669	$ 1,686	$ 1,535,657

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Other Supplementary Information

STATE OF ALASKA **STATEMENT 6.03**

Balance Sheet

Nonmajor Component Unit Without Separately Issued Financial Statements

June 30, 2009

(Stated in Thousands)

	Alaska Seafood Marketing Institute
ASSETS	
Due from Primary Government	$ 3,603
Other Assets	22
Total Assets	$ 3,625
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts Payable and Accrued Liabilities	$ 1,909
Total Liabilities	1,909
Fund Balances:	
Reserved:	
Encumbrances	1,497
Other Purposes	219
Total Fund Balances	1,716
Total Liabilities and Fund Balances	$ 3,625

Reconciliation of the Balance Sheet to the Statement of Net Assets:

Total Fund Balances - Governmental Fund:	$ 1,716
Amounts reported for governmental activities in the Statement of Net Assets 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	(30)
Net Assets of Governmental Activities	$ 1,686

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, 2009
(Stated in Thousands)

	Alaska Seafood Marketing Institute
REVENUES	
Taxes	$ 9,016
Charges for Services	141
Federal Grants in Aid	3,264
Other Revenues	1
Total Revenues	12,422
EXPENDITURES	
Current:	
Development	13,642
Total Expenditures	13,642
Excess (Deficiency) of Revenues Over Expenditures	(1,220)
OTHER FINANCING SOURCES (USES)	
Payments in from Primary Government	750
Total Other Financing Sources and Uses	750
Net Change in Fund Balances	(470)
Fund Balances - Beginning of Year	-
Prior Period Adjustment	2,186
Fund Balances - End of Year	$ 1,716

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

Net Change in Fund Balances - Governmental Fund	$ (470)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Expenses not reported in the fund:	
Compensated Absenses	(30)
Change in Net Assets of Governmental Activities	$ (500)

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Statistical Section

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STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

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.

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; therefore, some schedules only include financial data beginning in that year.

STATE OF ALASKA **SCHEDULE A-1**
Financial Trends - Net Assets By Component
Last Eight Fiscal Years
(Stated in Thousands)

	2009	2008	2007
Governmental Activities:			
Invested in Capital Assets,			
Net of Related Debt	$ 5,293,353	$ 5,063,796	$ 4,968,171
Restricted[a]	30,007,939	31,421,373	34,200,958
Unrestricted	14,625,134	19,398,314	11,425,419
Total Governmental Activities Net Assets	49,926,426	55,883,483	50,594,548
Business-type Activities:			
Invested in Capital Assets,			
Net of Related Debt	706,236	677,900	596,997
Restricted	712,350	688,485	614,880
Unrestricted	327,661	311,346	330,553
Total Business-type Activities Net Assets	1,746,247	1,677,731	1,542,430
Primary Government:			
Invested in Capital Assets,			
Net of Related Debt	5,999,589	5,741,696	5,565,168
Restricted	30,720,289	32,109,858	34,815,838
Unrestricted	14,952,795	19,709,660	11,755,972
Total Primary Government Net Assets	$ 51,672,673	$ 57,561,214	$ 52,136,978

NOTE:

This schedule is presented on the accrual basis of accounting.

[a] The majority of the amount reported as Restricted Net Assets for Governmental Activities represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

SCHEDULE A-1

2006	2005	2004	2003	2002
$ 4,721,066	$ 4,654,684	$ 3,921,815	$ 3,724,321	$ 3,353,079
30,772,290	28,935,899	26,929,079	24,473,141	22,207,101
7,539,120	5,185,548	4,066,781	3,450,742	5,469,850
43,032,476	38,776,131	34,917,675	31,648,204	31,030,030
535,585	483,883	451,273	415,389	370,663
527,509	467,604	429,600	411,446	417,609
340,555	341,845	308,232	300,705	311,662
1,403,649	1,293,332	1,189,105	1,127,540	1,099,934
5,256,651	5,138,567	4,373,088	4,139,710	3,723,742
31,299,799	29,403,503	27,358,679	24,884,587	22,624,710
7,879,675	5,527,393	4,375,013	3,751,447	5,781,512
$ 44,436,125	$ 40,069,463	$ 36,106,780	$ 32,775,744	$ 32,129,964

STATE OF ALASKA **SCHEDULE A-2**
Financial Trends - Government-wide Expenses, Program Revenues, and Net (Expense)/Revenue
Last Eight Fiscal Years
(Stated in Thousands)

	2009	2008	2007
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	$ 10,148	$ 11,754	$ 11,058
Education	3,045	2,829	2,689
University	15	29	-
Health and Human Services	41,375	39,492	39,144
Law and Justice	19,485	12,607	12,142
Public Protection	158,994	163,320	172,762
Natural Resources	2,322,398	3,404,033	2,207,217
Development	16,634	6,884	15,669
Transportation	57,306	68,105	68,042
Operating Grants and Contributions	1,488,782	1,354,695	1,463,791
Capital Grants and Contributions	633,661	612,769	632,829
Total Governmental Activities Program Revenues	4,751,843	5,676,517	4,625,343
Business-type Activities:			
Charges for Services			
Loans	11,818	9,175	9,655
Unemployment Compensation	178,073	149,699	169,070
Airports	95,244	118,874	115,490
Development	1,034	1,087	-
Operating Grants and Contributions	19,115	21,717	16,400
Capital Grants and Contributions	78,720	83,922	79,588
Total Business-type Activities Program Revenues	384,004	384,474	390,203
Total Primary Government Program Revenues	$ 5,135,847	$ 6,060,991	$ 5,015,546
Expenses			
Governmental Activities:			
General Government	$ 515,981	$ 520,244	$ 326,205
Alaska Permanent Fund Dividend [a b]	2,015,974	990,379	658,294
Education	1,647,531	1,705,227	1,364,756
University	410,805	382,463	319,963
Health and Human Services	2,067,733	1,869,940	1,827,623
Law and Justice	270,299	213,076	180,837
Public Protection	609,253	584,423	557,792
Natural Resources	295,183	293,999	286,236
Development	386,298	247,671	430,096
Transportation	959,586	952,916	812,686
Intergovernmental Revenue Sharing	231,574	129,678	62,082
Debt Service	42,662	43,820	40,555
Total Governmental Activities Expenses	9,452,879	7,933,836	6,867,125
Business-type Activities:			
Loans	3,514	9,987	9,561
Unemployment Compensation	199,792	122,128	122,908
Airports	117,499	112,437	129,074
Development	2,062	4,965	2,221
Total Business-type Activities Expenses	322,867	249,517	263,764
Total Primary Government Expenses	$ 9,775,746	$ 8,183,353	$ 7,130,889
Net (Expense)/Revenue (To Schedule A-3)			
Governmental Activities	$ (4,701,036)	$ (2,257,319)	$ (2,241,782)
Business-type Activities	61,137	134,957	126,439
Total Primary Government Net Expense	$ (4,639,899)	$ (2,122,362)	$ (2,115,343)

NOTES:

This schedule is presented on the accrual basis of accounting.

[a] The permanent fund dividend function represents the portion of the income earned by the Alaska Permanent Fund that is paid out to eligible Alaska residents.

[b] In 2009 the Alaska Permanent Fund Dividend expenses includes a one time energy rebate in the amount of $738,767 (in thousands) that was paid to Alaska citizens to offset the cost of energy.

SCHEDULE A-2

2006	2005	2004	2003	2002
$ 13,908	$ 20,448	$ 13,048	$ 16,142	$ 16,465
2,895	2,477	2,329	937	2,738
-	-	-	-	-
29,774	30,754	23,086	23,277	19,329
9,736	10,959	8,625	6,201	9,528
138,192	134,817	134,087	103,586	93,737
2,460,023	1,967,523	1,446,144	1,299,097	906,477
6,840	4,744	3,719	34,895	2,829
63,257	48,506	46,774	44,882	40,456
1,460,145	1,400,904	1,422,265	1,303,282	1,111,681
618,554	642,311	624,835	611,414	502,703
4,803,324	4,263,443	3,724,912	3,443,713	2,705,943
9,116	10,006	10,333	13,598	9,434
168,942	148,354	160,762	156,459	135,097
103,999	99,375	76,467	76,753	67,936
-	-	-	-	-
19,262	17,485	13,329	18,177	33,128
73,570	84,249	79,715	52,859	36,642
374,889	359,469	340,606	317,846	282,237
$ 5,178,213	$ 4,622,912	$ 4,065,518	$ 3,761,559	$ 2,988,180
$ 292,265	$ 254,680	$ 227,516	$ 278,972	$ 414,344
505,093	552,232	660,471	908,676	1,086,362
1,251,111	1,143,197	1,072,194	951,790	939,988
271,687	244,927	246,101	226,729	208,322
1,768,611	1,832,252	1,661,454	1,553,612	1,406,064
175,878	147,606	131,179	130,408	118,928
535,877	517,875	420,476	458,200	413,305
263,777	242,610	225,167	206,161	194,377
477,249	129,518	128,254	142,934	126,427
711,351	762,514	392,737	418,463	406,543
57,598	43,039	52,303	65,364	65,241
32,152	32,153	32,763	19,903	16,564
6,342,649	5,902,603	5,250,615	5,361,212	5,396,465
12,285	9,304	4,980	8,799	16,540
130,487	147,687	185,342	191,598	150,176
120,879	99,350	81,475	77,892	68,884
598	155	77	-	-
264,249	256,496	271,874	278,289	235,600
$ 6,606,898	$ 6,159,099	$ 5,522,489	$ 5,639,501	$ 5,632,065
$ (1,539,325)	$ (1,639,160)	$ (1,525,703)	$ (1,917,499)	$ (2,690,522)
110,640	102,973	68,732	39,557	46,637
$ (1,428,685)	$ (1,536,187)	$ (1,456,971)	$ (1,877,942)	$ (2,643,885)

STATE OF ALASKA **SCHEDULE A-3**

Financial Trends - Government-wide General Revenues and Other Changes in Net Assets
Last Eight Fiscal Years
(Stated in Thousands)

	2009	2008	2007
Net (Expense)/Revenue (From Schedule A-2)			
Governmental Activities	$ (4,701,036)	$ (2,257,319)	$ (2,241,782)
Business-type Activities	61,137	134,957	126,439
Total Primary Government Net Expense	$ (4,639,899)	$ (2,122,362)	$ (2,115,343)
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes:			
Severance Taxes	$ 3,345,993	$ 6,929,895	$ 2,256,299
Selective Sales/Use	235,121	270,119	233,788
Income Taxes	632,123	981,673	812,652
Property Taxes	111,251	81,518	65,692
Other Taxes	10,225	18,387	9,495
Interest and Investment Earnings	(6,460,729)	(910,362)	5,968,976
Tobacco Settlement	37,349	32,141	21,247
Payments In from Component Units	26,392	115,635	400,382
Other Revenues	91,857	27,873	32,295
Transfers - Internal Activity	(14,032)	(625)	3,028
Special Items	126,393	-	-
Prior Period Adjustments and Restatements	(2,186)	-	-
Changes in Accounting Principles	604,222	-	-
Total Governmental Activities General Revenues and Other Changes in Net Assets	(1,256,021)	7,546,254	9,803,854
Business-type Activities:			
Interest and Investment Earnings	(11,037)	(281)	14,155
Other Revenues	5,562	-	1,215
Payments In from Component Units	53	-	-
Transfers - Internal Activity	14,032	625	(3,028)
Special Items	3,972	-	-
Prior Period Adjustments and Restatements	(3,685)	-	-
Changes in Accounting Principles	(1,518)	-	-
Total Business-type Activities General Revenues and Other Changes in Net Assets	7,379	344	12,342
Total Primary Government General Revenues and Other Changes in Net Assets	$ (1,248,642)	$ 7,546,598	$ 9,816,196
Change in Net Assets			
Governmental Activities	$ (5,957,057)	$ 5,288,935	$ 7,562,072
Business-type Activities	68,516	135,301	138,781
Total Primary Government Changes in Net Assets	$ (5,888,541)	$ 5,424,236	$ 7,700,853

NOTE:

This schedule is presented on the accrual basis of accounting.

2006	2005	2004	2003	2002
$ (1,539,325)	$ (1,639,160)	$ (1,525,703)	$ (1,917,499)	$ (2,690,522)
110,640	102,973	68,732	39,557	46,637
$ (1,428,685)	$ (1,536,187)	$ (1,456,971)	$ (1,877,942)	$ (2,643,885)
$ 1,332,880	$ 965,431	$ 697,394	$ 640,856	$ 549,848
196,605	186,354	180,354	156,693	139,531
821,664	588,694	339,270	207,075	269,273
54,508	42,912	47,416	48,741	49,641
11,865	10,743	10,979	9,421	11,585
3,312,907	2,840,596	3,561,847	1,205,191	(371,614)
19,975	21,759	21,439	25,054	134,925
104,556	121,312	58,846	80,728	63,474
60,857	19,294	60,781	7,618	24,280
4,894	4,968	4,306	2,830	1,539
-	-	4,829	127,413	-
(125,041)	695,553	(192,287)	24,053	35,955,420
-	-	-	-	-
5,795,670	5,497,616	4,795,174	2,535,673	36,827,902
2,935	5,154	1,067	6,567	6,449
1,393	1,356	-	419	546
-	-	-	-	652
(4,894)	(4,968)	(4,306)	(2,830)	(1,539)
-	-	-	(5,453)	-
243	(288)	(3,928)	(10,654)	(1,018)
-	-	-	-	-
(323)	1,254	(7,167)	(11,951)	5,090
$ 5,795,347	$ 5,498,870	$ 4,788,007	$ 2,523,722	$ 36,832,992
$ 4,256,345	$ 3,858,456	$ 3,269,471	$ 618,174	$ 34,137,380
110,317	104,227	61,565	27,606	51,727
$ 4,366,662	$ 3,962,683	$ 3,331,036	$ 645,780	$ 34,189,107

STATE OF ALASKA **SCHEDULE A-4**

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

	2009	2008	2007	2006
General Fund:				
Reserved [a]	$ 1,101,357	$ 898,734	$ 5,388,823	$ 5,447,085
Unreserved	13,222,879	13,717,732	2,249,074	(123,785)
Total General Fund	$ 14,324,236	$ 14,616,466	$ 7,637,897	$ 5,323,300
All Other Governmental Funds:				
Reserved [b]	$ 29,983,196	$ 31,388,842	$ 34,155,999	$ 30,788,066
Unreserved, reported in:				
Permanent funds	426,318	4,984,371	4,144,850	2,594,854
Special revenue funds	420,993	397,895	381,225	51,662
Capital projects funds	207,550	113,515	116,074	140,606
Total All Other Governmental Funds	$ 31,038,057	$ 36,884,623	$ 38,798,148	$ 33,575,188

NOTES:

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

In 2002, funds were reclassified in conjunction with implementing GASB Statement No. 34.

[a] The majority of the amount reported as reserved for the General Fund from 2002 through 2007 represents the Constitutional Budget Reserve Fund. Further discussion of this fund is included in the Notes to the Basic Financial Statements. Beginning 2008 the majority represents reserved for encumbrances within the General Fund.

[b] The majority of the amount reported as reserved for all other governmental funds since 2002 represents the Alaska Permanent Fund. Further discussion of this fund is included in Management's Discussion and Analysis.

SCHEDULE A-4

2005	2004	2003	2002	2001	2000
$ 5,367,346	$ 5,369,520	$ 5,400,958	$ 4,819,136	$ 192,610	$ 187,278
(1,297,611)	(1,929,657)	(1,850,881)	(701,741)	(3,368,474)	(3,341,562)
$ 4,069,735	$ 3,439,863	$ 3,550,077	$ 4,117,395	$ (3,175,864)	$ (3,154,284)
$ 29,015,791	$ 27,068,135	$ 24,464,472	$ 22,191,935	$ 45,343	$ 31,380
1,449,370	869,711	114,139	1,658,082	-	-
75,991	47,841	78,987	46,919	23,171	23,163
126,963	227,982	438,606	-	-	102
$ 30,668,115	$ 28,213,669	$ 25,096,204	$ 23,896,936	$ 68,514	$ 54,645

STATE OF ALASKA **SCHEDULE A-5**
Financial Trends - Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Stated in Thousands)

	2009	2008	2007	2006
Revenues				
Taxes	$ 4,334,450	$ 8,282,074	$ 3,462,462	$ 2,361,263
Licenses and Permits	146,460	150,207	142,204	129,604
Charges for Services	176,310	179,213	180,695	159,410
Fines and Forfeitures	14,306	18,673	32,367	10,441
Rents and Royalties	2,237,219	3,354,696	2,162,495	2,418,169
Premiums and Contributions	28,806	17,520	16,369	17,906
Interest and Investment Income	(6,480,492)	(913,571)	6,023,532	3,339,127
Federal Grants in Aid	2,119,109	1,925,558	2,021,414	1,997,567
Payments in from Component Units [d]	26,392	115,635	400,382	104,555
Other Revenues	61,092	43,908	31,349	74,163
Total Revenues	2,663,652	13,173,913	14,473,269	10,612,205
Expenditures				
General Government	740,621	596,754	346,530	294,151
Alaska Permanent Fund Dividend [a f]	2,015,974	990,379	658,294	505,093
Education	1,658,971	1,716,876	1,359,413	1,227,523
University [d]	409,890	382,459	320,238	272,193
Health and Human Services	2,064,656	1,881,458	1,819,084	1,794,439
Law and Justice [b]	202,860	209,031	179,851	171,185
Public Protection [b]	620,975	577,377	553,412	527,332
Natural Resources	339,496	301,660	297,410	259,087
Development	387,633	251,051	429,894	477,945
Transportation	1,111,105	1,036,352	988,857	894,571
Capital Outlay [c]	-	-	-	-
Intergovernmental Revenue Sharing	231,364	128,564	61,925	59,477
Debt Service:				
Principal	48,414	45,870	39,110	39,965
Interest and Other Charges	41,914	46,546	42,253	38,429
Existing Monies to Bond Escrow Agent	-	-	27,009	-
Bond Issuance Costs	524	-	-	-
Total Expenditures	9,874,397	8,164,377	7,123,280	6,561,390
Excess (Deficiency) of Revenues Over Expenditures	(7,210,745)	5,009,536	7,349,989	4,050,815
Other Financing Sources (Uses)				
Bonds Issued	165,000	-	218,938	92,060
Refunding Bonds Issued [e]	-	-	193,050	-
Bond Issue Premium	8,611	-	-	856
Other Debt Proceeds	-	-	(193,050)	1,957
Refunding Bond Issue Premium [e]	-	-	-	-
Bond Discount	-	-	(11,180)	-
Payment to Refunded Bond Escrow Agent [e]	-	-	-	-
Capital Leases	271,901	59,651	4,241	8,628
Transfers In from Other Funds	937,064	1,479,573	1,338,871	807,093
Transfers In from Component Units [d]	-	-	-	-
Transfers (Out to) Other Funds	(961,402)	(1,483,716)	(1,363,302)	(801,164)
Transfers (Out to) Component Units [d]	-	-	-	-
Total Other Financing Sources and Uses	421,174	55,508	187,568	109,430
Special Items	-	-	-	-
Prior Period Adjustments and Restatements	(2,186)	-	-	393
Changes in Accounting Principles	652,961	-	-	-
Net Change in Fund Balances	$ (6,138,796)	$ 5,065,044	$ 7,537,557	$ 4,160,638
Debt Service as a Percentage of Noncapital Expenditures	1.06%	1.22%	1.69%	1.37%

NOTES:

This schedule is presented on the modified accrual basis of accounting.
In 2002, funds were reclassified in conjunction with implementing GASB Statement No. 34.

[a] Prior to 2002 and the implementation of GASB Statement No. 34, the Alaska Permanent Fund Dividend Fund was reported as an expendable trust fund.
[b] Prior to 2002 and the implementation of GASB Statement No. 34, Law and Justice and Public Protection expenditures were combined as one function.
[c] With the implemention of GASB Statement No. 34, Capital Outlay is no longer reported as a separate function.
[d] Prior to 2002 and the implementation of GASB Statement No. 34, Transfers In from and Out to Component Units were classified as Other Financing Sources (Uses). Under GASB Statement No. 34 payments to component units are reported as revenues or expenditures rather than as transfers.
[e] In 2005 new certificates of participation were issued to refund existing certificates of participation debt.
[f] 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

2005	2004	2003	2002	2001	2000
$ 1,764,465	$ 1,275,413	$ 1,062,786	$ 1,019,878	$ 1,332,572	$ 1,165,502
122,888	116,164	100,814	90,049	78,367	94,087
152,992	184,178	167,505	157,458	161,418	122,720
11,030	17,598	10,477	11,937	33,680	46,291
1,957,615	1,428,982	1,286,742	867,143	1,134,884	1,083,715
17,153	17,984	29,809	19,612	-	-
2,874,284	3,586,212	1,224,015	(379,887)	80,175	47,995
1,951,921	1,941,037	1,769,144	1,552,694	1,324,761	1,226,821
121,312	58,846	80,728	63,474	-	-
30,957	32,363	37,809	154,713	129,487	48,506
9,004,617	8,658,777	5,769,829	3,557,071	4,275,344	3,835,637
261,596	257,207	278,604	393,579	260,488	189,026
552,232	660,471	908,676	1,086,362	-	-
1,136,016	1,042,702	990,384	973,716	879,584	876,890
244,917	246,168	226,794	208,497	-	-
1,748,751	1,707,996	1,571,025	1,408,238	1,284,018	1,170,063
141,890	135,026	131,359	117,648	526,676	462,056
525,855	431,261	459,321	410,000	-	-
236,146	227,132	221,088	199,032	152,690	144,762
128,257	132,452	145,242	130,893	19,404	18,634
804,546	764,003	737,768	650,678	165,551	156,117
-	-	-	-	573,691	549,345
43,081	52,259	65,743	65,198	82,519	73,783
39,570	15,568	18,107	16,664	-	2,376
38,989	34,369	18,332	15,878	4,294	57
-	-	-	-	-	-
-	-	-	-	-	-
5,901,846	5,706,614	5,772,443	5,676,383	3,948,915	3,643,109
3,102,771	2,952,163	(2,614)	(2,119,312)	326,429	192,528
-	14,145	461,935	142,790	116,050	-
25,725	-	-	-	-	-
-	-	39,310	-	-	-
-	-	-	-	-	-
1,251	-	-	-	-	-
-	-	-	(1,852)	(878)	-
(26,858)	-	-	-	-	-
10,751	15,615	-	-	-	-
604,541	614,250	706,507	961,827	32,098	16,366
-	-	-	-	87,315	179,445
(615,931)	(597,320)	(695,498)	(947,910)	(357,628)	(427,778)
-	-	-	-	(213,075)	(394,797)
(521)	46,690	512,254	154,855	(336,118)	(626,764)
-	4,829	127,413	-	-	-
(17,932)	3,569	(5,103)	33,086,138	1,978	(70)
-	-	-	-	-	-
$ 3,084,318	$ 3,007,251	$ 631,950	$ 31,121,681	$ (7,711)	$ (434,306)
1.51%	1.00%	0.72%	0.62%	0.13%	0.08%

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

Fiscal Year	Ending Fund Market Value [a]	Reserved Fund Assets	Unreserved Fund Assets [b]	Total Fund Return
2000	$ 26,516	$ 23,543	$ 2,973	9.2%
2001	24,815	22,431	2,384	-3.3%
2002	23,525	22,389	1,136	-2.2%
2003	24,194	24,094	100	4.5%
2004	27,400	26,541	859	14.2%
2005	29,962	28,522	1,440	10.4%
2006	32,910	30,325	2,585	11.0%
2007	37,826	33,694	4,132	17.1%
2008	35,881	30,912	4,969	-3.6%
2009	29,916	29,496	420	-18.0%

Annual Rate of Return by Asset Class [d]

Fiscal Year	Domestic Equities	International Equities	Global Equities	Domestic Bonds	Non-Dollar Bonds	Real Estate	Alternative Investments	Total Fund
2000	8.7%	23.3%	NA [c]	3.7%	-1.7%	10.6%	NA [c]	9.2%
2001	-13.1%	-22.9%	NA [c]	11.4%	0.8%	14.3%	NA [c]	-3.3%
2002	-15.4%	-8.6%	NA [c]	8.0%	10.2%	10.3%	NA [c]	-2.2%
2003	-0.3%	-5.0%	NA [c]	10.2%	15.3%	9.1%	NA [c]	4.5%
2004	21.1%	28.4%	NA [c]	0.8%	4.3%	16.5%	NA [c]	14.2%
2005	7.2%	15.4%	NA [c]	6.8%	10.1%	27.2%	NA [c]	10.4%
2006	10.0%	26.1%	NA [c]	-0.3%	0.6%	20.0%	11.3%	11.0%
2007	19.2%	31.6%	8.9%	6.2%	2.8%	18.1%	13.6%	17.1%
2008	-11.7%	-5.5%	-10.2%	6.1%	10.9%	0.5%	1.0%	-3.6%
2009	-24.8%	-31.3%	-31.4%	3.3%	3.6%	-18.4%	-13.2%	-18.0%

SOURCE:
Alaska Permanent Fund Corporation

NOTES:
[a] The Alaska Permanent Fund is made up of two parts: reserved and unreserved assets. The reserved portion of the fund is invested in perpetuity and cannot be spent without amending the state constitution through a majority vote of the people.
[b] Unreserved 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. The unreserved fund assets have historically only been used to distribute a portion of realized earnings to the citizens of Alaska and to protect the reserved fund assets from inflation. The unreserved fund assets are where all income available for appropriation is recorded, retained and reinvested until distributed in accordance with State of Alaska law. The unreserved fund assets shown above have already been reduced by the annual dividend and inflation proofing transfer. The reserved and unreserved fund assets are commingled for investment purposes.
[c] NA = The fund held no investments in this asset type.
[d] Returns are shown by major asset class only and are unaudited. For the year 2007 global equity returns are for six months only.

REVENUE BASE (Last Eight Fiscal Years)

	Oil Severance Taxes		
Fiscal Year	Well-Head Value	Weighted Average Severance Tax Rate	Weighted Average Economic Limit Factor (ELF)
2002	$16.80 per barrel	14.44%	59.75%
2003	$23.27 per barrel	14.16%	55.19%
2004	$26.78 per barrel	14.23%	53.22%
2005	$38.92 per barrel	14.20%	52.99%
2006	$55.31 per barrel	14.62%	58.26%
2007	$55.79 per barrel	16.90%	Not Applicable
2008	$84.45 per barrel	39.99%	Not Applicable
2009	$62.02 per barrel	20.20%	Not Applicable

REVENUE RATE: The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT)[a]. On July 1, 2007 Alaska Clear and Equitable Share (ACES) was implemented.

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

[(Petroleum Value[1] minus Costs[2]) times Tax Rate[3]] minus Credits[4]

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

[a]The total number of barrels of oil equivalent produced
See the Royalty Revenue Capacity Schedule B-3 for number of barrels produced.

[b]Minus the number of royalty barrels
Barrels that are charged royalties are not taxed, therefore these barrels are subtracted from the total.

[c]Multiplied by the wellhead value
Destination value minus allowable marine and transportation costs of each barrel.

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

[3]Tax Rate = 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%.
PPT: The production tax rate is 22.5% of the petroleum value minus costs ("net income"). A progressive surcharge of .25% is added for every dollar that this "net income" per barrel exceed $40. Total maximum tax rate is 47.5%.

[4]Credits = ACES: Includes a 20% credit for all qualified capital expenditures, and a standard deduction of up to $12 million per year for qualified companies.
PPT: Includes a 20% credit for all qualified capital expenditures, 20% credit for eligible transition expenditures, and a standard deduction 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).
This effective severance tax rate was computed as: (Number of barrels produced less the number of royalty barrels) × the well-head value × the severance tax rate × ELF.

Production tax rate is applied to net production value beginning in FY 2007. Prior to FY 2007, production tax rate was applied to gross value at point of production.

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

	2009	2000
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 98.8% of severance tax.
Amount of Revenue Base	Five oil companies account for 249,945 thousands of barrels of oil production.	Five oil companies account for 358,517 thousands of barrels of oil production.
Percent of top payers to total oil production	99.3%	97.9%
Percent of top payers to total severance tax revenue	99.7%	98.8%

SOURCE:
Alaska Department of Revenue, Tax Division

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

REVENUE BASE (Last Eight Fiscal Years)

Fiscal Year	Gross Number of Barrels	Number of Barrels for Which Royalties are Charged	Weighted Average Royalty Rate
2002	387,190,479	48,415,456	12.50%
2003	376,494,188	49,296,600	13.09%
2004	370,732,200	48,080,646	12.97%
2005	340,267,626	44,669,897	13.13%
2006	315,713,921	39,953,892	12.65%
2007	276,283,804	35,287,199	12.77%
2008	269,773,057	34,158,311	12.66%
2009	257,812,862	31,877,658	12.36%

REVENUE RATE: The method of determining the revenue rate changed on April 1, 2006 with the implementation of the Petroleum Profits Tax (PPT) On July 1, 2007 Alaska Clear and Equitable Share (ACES) was implemented.

The royalty rate ranges from 5.00% to 33.33%, depending on lease terms. However, the majority of fields are charged at 12.50%.

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

	2009	2000
Top Payers	Royalties from British Petroleum, ConocoPhillips, and Flint Hills corporations comprise about 91% of oil royalty barrels this fiscal year.	Royalties from British Petroleum, ConocoPhillips, and Williams corporations comprise more than 83% of oil royalty barrels this fiscal year.
Amount of Revenue Base	British Petroleum, ConocoPhillips, and Flint Hills corporations paid royalties on about 29 million barrels of oil this fiscal year.	British Petroleum, ConocoPhillips, and Williams corporations paid royalties on about 42 milllion barrels of oil this fiscal year.
Percent of top payers to number of royalty barrels:	90.79%	83.36%
Percent of top payers to total royalty revenue:	84.02%	81.81%

SOURCE:
Alaska Department of Natural Resources, Division of Oil and Gas

NOTE:
Per Article IX, Section 15 of the Alaska Constitution, "At least 25 percent of all mineral. . . royalties. . . received by the State shall be placed in a permanent fund…"

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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)

	General Bonded Debt			Other Governmental Activities Debt		
Fiscal Year	General Obligation Bonds	Percentage of Personal Income [a]	Per Capita [a]	Tobacco Revenue Bonds	Sport Fishing Revenue Bonds	Certificates of Participation [b]
2000	$ -	0.00%	$ -	$ -	$ -	$ -
2001	-	0.00%	-	115,172	-	-
2002	-	0.00%	-	232,863	-	16,000
2003	499,541	2.44%	776	224,599	-	16,000
2004	492,586	2.26%	760	218,316	-	30,145
2005	463,117	2.03%	707	212,794	-	61,625
2006[d]	433,916	1.85%	654	207,995	68,345	74,770
2007[d]	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

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements.

[a] See Schedule D-1, Demographic and Economic Information - Statistics, for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

[b] Prior to 2002, all Certificates of Participation (COPs) were reported as capital leases. For fiscal years 2002-2004, COPs related to facilities under construction were reported as COPs, and completed projects were reported as capital leases. Beginning in 2005, all COPs are reported as Certificates of Participation.

[c] In 2002, the capitalization threshold for reporting capital leases was increased, and operating leases that met the criteria for reporting as capital leases were reported for the first time, in conjunction with implementation of GASB Statement No. 34.

[d] For 2006 and 2007 the capital leases have been corrected to include internal service funds data.

	Business-type Activities			
Capital Leases [b, c, d]	International Airports Revenue Bonds	Total Primary Government	Percentage of Personal Income [a]	Per Capita [a]
$ 88,783	$ 227,776	$ 316,559	1.79%	$ 509
116,529	226,976	458,677	2.46%	732
261,280	362,374	872,517	4.44%	1,377
272,473	356,510	1,369,123	6.69%	2,127
194,492	422,141	1,357,680	6.23%	2,094
147,993	412,057	1,297,586	5.68%	1,980
140,670	646,238	1,571,934	6.68%	2,369
130,311	633,152	1,685,129	6.51%	2,515
171,458	617,465	1,665,062	6.10%	2,460
410,846	582,893	1,995,349	6.60%	2,936

STATE OF ALASKA **SCHEDULE C-2**
Debt Capacity - Pledged-Revenue Coverage
Last Ten Fiscal Years
(Stated in Thousands)

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Principal	Debt Service Interest	Coverage
International Airports Revenue Bonds: [a]						
2000	$ 61,143	$ 42,472	$ 18,671	$ 3,210	$ 12,812	1.17%
2001	82,165	44,798	37,367	1,135	11,613	2.93%
2002	73,661	47,779	25,882	3,660	11,508	1.71%
2003	83,320	54,686	28,634	6,300	18,642	1.15%
2004	77,524	49,238	28,286	6,580	18,365	1.13%
2005	104,538	61,131	43,407	12,138	21,554	1.29%
2006	107,125	68,732	38,393	12,529	21,011	1.14%
2007	123,435	70,609	52,826	12,770	31,675	1.19%
2008	129,835	72,054	57,781	15,515	30,450	1.26%
2009	103,668	72,164	31,504	19,880	29,711	0.64%
Northern Tobacco Securitization Corporation (NTSC) Tobacco Revenue Bonds: [b]						
2001	$ 774	$ -	$ 774	$ -	$ 4,294	0.18%
2002	21,350	-	21,350	-	7,188	2.97%
2003	21,467	-	21,467	490	13,309	1.56%
2004	18,399	-	18,399	-	12,925	1.42%
2005	18,620	-	18,620	-	12,569	1.48%
2006	17,136	-	17,136	-	12,264	1.40%
2007	18,428	-	18,428	-	11,996	1.54%
2008	29,542	-	29,542	3,360	19,440	1.30%
2009	30,972	-	30,972	-	19,834	1.56%
Sport Fishing Revenue Bonds: [c]						
2006	$ 1,296	$ -	$ 1,296	$ -	$ -	-
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%

NOTES:

Details regarding the state's outstanding debt can be found in the Notes to the Basic Financial Statements. Gross revenues include nonoperating interest and investment income. Operating expenses do not include interest, depreciation or amortization expenses. Additional details regarding revenues and expenses can be found in the combining fund statements of this CAFR.

[a] The principal revenues of the International Airports are charges to customers for airfield operations, concession fees, rent, and user fees.

[b] Tobacco Revenue Bonds are debt of the Northern Tobacco Securitization Corporation (NTSC), which was incorporated on September 29, 2000. NTSC revenues include Tobacco Settlement Revenues (TSRs) and investment earnings, both of which are pledged as security under the revenue bond indentures.

[c] Sport Fishing Revenue Bonds were sold April 11, 2006. Revenues consist primarily of a sport fishing facility surcharge collected on the sale of sport fishing licenses.

STATE OF ALASKA **SCHEDULE D-1**

Demographic and Economic Information - Statistics

Last Ten Calendar Years

Year	Population [1]	Personal Income (Stated in Millions) [2]	Alaska Per Capita Personal Income [2]	United States Per Capita Personal Income [2]	Median Age [1]	Unemployment Rate [1]
1999	622,000	$ 17,704	$ 28,577	$ 28,542	32.9	6.4%
2000	626,932	18,612	30,064	29,676	32.4	6.2%
2001	633,630	19,641	30,936	30,472	32.6	6.2%
2002	643,786	20,467	31,792	30,832	32.7	7.1%
2003	648,280	21,779	33,568	31,632	33.1	7.7%
2004	655,435	22,582	34,454	32,937	33.3	7.5%
2005	663,661	23,515	35,433	33,050	33.4	6.8%
2006	670,053	25,879	38,622	34,471	33.5	6.7%
2007	676,987	27,294	39,934	36,714	33.5	6.2%
2008	679,720	30,224	44,039	40,208	33.5	6.7%

SOURCES:

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

2 U.S. Department of Commerce, Bureau of Economic Analysis

NOTE:

At the time of preparation, data provided by the U.S. Department of Commerce, Bureau of Economic Analysis is preliminary.

STATE OF ALASKA **SCHEDULE D-2**

Demographic and Economic Information - Principal Employers

Calendar Year 2008 and Period Ten Years Prior

	2008			1999		
Employer	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Uniformed Military	20,955	1	6.40%	18,684	1	6.36%
State of Alaska [a]	17,826	2	5.44%	15,889	3	5.41%
Federal Government	16,891	3	5.16%	16,872	2	5.74%
University of Alaska	7,140	4	2.18%	5,883	4	2.00%
Anchorage School District	6,834	5	2.09%	5,538	5	1.88%
Providence Health System Alaska[b]	4,149	6	1.27%	3,027	8	1.03%
Municipality of Anchorage	3,152	7	0.96%	3,160	6	1.08%
Wal-Mart/Sam's Club[b]	3,149	8	0.96%	-	N/A	-
Safeway Stores/Carrs[b]	3,149	9	0.96%	3,902	7	1.33%
Fred Meyer[b]	2,949	10	0.90%	2,015	9	0.69%
Fairbanks North Star School District	-	N/A	-	1,872	10	0.64%
Total	86,194		26.32%	76,842		26.16%

SOURCE:

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

NOTES:

[a] For the purpose of a relevant principal employers indicator, with the exception of the University of Alaska, component unit employees are included in State of Alaska figures. The number of component unit employees is immaterial and inclusion does not change the ranking of the State of Alaska as an employer.

[b] Ranges were given on these average monthly employment numbers for 2008. The highest average monthly employment range number was used.

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STATE OF ALASKA **SCHEDULE E-1**

Operating Information - Full-time Equivalent Government Employees by Function

Last Eight Fiscal Years

FUNCTION	2009	2008	2007
General Government	2,225	2,137	2,139
Education	419	414	423
Health and Human Services	2,694	2,816	2,599
Law and Justice	1,642	1,587	1,550
Public Protection	3,540	3,297	3,634
Natural Resources	2,031	1,994	1,978
Development	775	745	748
Transportation	3,060	2,987	2,979
Totals	16,386	15,977	16,050

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

2006	2005	2004	2003	2002
2,101	2,071	2,009	2,181	2,115
409	395	421	346	444
2,511	2,432	2,477	2,579	2,460
1,498	1,451	1,400	1,413	1,378
3,588	3,552	3,560	3,552	3,268
1,932	1,897	1,928	1,956	1,895
794	773	770	796	797
2,940	2,826	2,833	2,741	2,658
15,773	15,397	15,398	15,564	15,015

Operating Information - Operating Indicators by Function
Last Ten Fiscal Years

FUNCTION	2009	2008	2007	2006
Alaska Permanent Fund Dividend				
Number of Dividends Paid [a]	-	615,513	595,237	591,965
Education				
Student Enrollment in State Supported				
Schools (pre-elementary through grade 12)	130,685	131,029	132,608	133,288
University				
Student Enrollment in the State University				
System (average head count over both semesters)	31,888	32,324	32,515	32,740
Health and Human Services				
Medicaid Beneficiaries	123,791	117,472	121,864	122,975
Welfare Caseload	3,027	3,109	6,335	3,658
Protective Services Reports Regarding Children [b]	13,441	11,599	11,400	10,192
Law and Justice				
Criminal Caseload - Misdemeanors	22,351	23,973	23,609	23,060
Criminal Caseload - Felonies and Appeals	7,796	8,466	8,469	11,462
Civil Caseload [g]	5,599	5,048	5,083	6,008
Public Protection				
Adult Offenders in Correctional Facilities[f]	5,319	5,384	5,236	5,073
Juvenile Offenders in Detention or Treatment Facilities	202	228	237	250
National Guard Assigned Strength in Alaska [d]	3,785	4,242	3,872	3,785
Number of Homicides Investigated by State Troopers [g]	15	14	12	10
Natural Resources				
Wholesale Value of Alaska Commercial Fish				
Harvests (stated in thousands of dollars) [a]	-	2,607,666	2,326,176	2,055,625
Recreation Acres State Owned or Maintained	11,834,483	11,535,850	11,663,339	11,444,009
State Timber Sold Annually (million board feet)	15.5	61.0	82.9	25.0
State Acreage Leased for Oil and Gas Development[e]	4,933,466	5,435,904	4,980,450	4,267,925
Placer Mines Permitted	194	260	178	345
Development				
Number of State Business Licenses	59,751	62,187	65,331	66,615
Transportation				
Annual Fatalities per 100 Million Miles of Vehicle Travel in AK[a]	-	1.29	1.61	1.49
State Ferry Route Miles[a]	-	2,829	2,829	2,829
Intergovernmental Revenue Sharing				
Number of Communities that Receive a Portion of Shared				
Taxes and Fees	146	142	146	145
Loans				
Number of Loans in Portfolio	2,064	2,168	2,277	2,263
Unemployment Compensation				
Initial Claims Paid [a]	-	93,072	89,442	93,609
Airports [c]				
Landings:				
Jets	65,945	84,366	80,652	81,040
Other Aircraft	45,399	68,253	46,940	46,022
Passengers:				
In	2,926,772	3,043,533	2,889,786	2,868,053
Out	2,893,374	3,002,133	2,873,803	2,860,859
Through	227,164	360,572	364,850	284,947
Freight (in tons):				
In	288,650	366,907	369,743	338,401
Out	326,797	417,979	393,279	382,645

SOURCES:

Various state departments and the University of Alaska.

NOTES:

Indicators are not available for the general government function.

[a] Data is only provided on a calendar year basis.

[b] A change was made to the methodology of gathering this statistic, starting in 2005, to bring it into compliance with federal requirements.

[c] Consists of data for the Anchorage and Fairbanks International Airports.

[d] Prior to state fiscal year 2005, this statistical data was provided based on a calendar year. Beginning with 2005 this quarterly data is available for state fiscal year reporting purposes.

[e] Includes both on shore and off shore acres.

[f] Data was corrected for 2007.

[g] Data was corrected for 2008.

2005	2004	2003	2002	2001	2000
594,028	598,378	595,567	589,378	586,187	583,040
132,970	133,930	134,364	134,358	133,356	134,391
32,786	34,111	33,752	31,043	30,557	30,076
125,942	119,321	116,841	110,569	105,698	96,862
4,660	5,017	5,507	6,025	6,123	7,596
9,576	10,017	11,695	12,154	13,796	12,834
22,569	22,700	22,238	22,041	19,997	19,077
10,166	9,913	9,146	8,556	8,168	8,218
5,201	5,355	5,518	5,068	5,311	5,370
4,809	4,724	4,748	4,644	4,403	4,294
234	247	305	285	274	295
3,704	4,009	3,955	3,941	3,689	3,648
23	15	12	12	14	21
1,957,948	1,700,278	1,555,726	1,445,470	1,450,141	1,633,553
11,183,929	11,361,029	11,388,366	11,338,380	11,320,100	11,126,530
27.5	11.7	18.7	15.5	8.9	20.8
3,972,538	4,101,542	4,849,396	6,225,000	4,190,209	3,479,479
316	320	310	287	301	360
67,229	70,537	74,599	73,047	73,617	73,540
1.47	2.02	1.98	1.82	1.89	2.30
2,829	2,866	2,866	2,775	2,775	2,775
140	139	138	141	142	141
2,183	2,149	2,228	2,286	2,316	2,286
100,692	103,240	113,604	114,916	97,523	107,232
77,074	72,486	72,663	70,161	71,075	69,901
47,564	49,082	48,933	51,561	51,104	49,471
2,852,820	2,696,409	2,614,179	2,624,631	2,653,474	2,588,078
2,849,651	2,686,048	2,608,440	2,634,245	2,658,282	2,600,238
394,324	421,472	446,000	513,076	675,390	694,662
297,752	255,958	257,715	236,834	242,323	247,658
352,339	267,749	277,857	259,036	262,935	266,363

STATE OF ALASKA **SCHEDULE E-3**
Operating Information - Capital Asset Statistics by Function
Last Eight Fiscal Years

FUNCTION	2009	2008	2007
Primary Government:			
General Government			
Buildings (square feet)	880,198	803,175	764,192
Education			
Buildings (square feet)	2,340,905	2,331,178	2,354,648
Schools	119	119	105
Schools Under Construction	39	39	35
Health and Human Services			
Buildings (square feet)	1,065,828	1,058,616	928,505
Pioneer Homes	6	6	6
Law and Justice			
Buildings (square feet)	649,529	596,631	553,687
Court Buildings	13	13	13
Public Protection			
Buildings (square feet)	1,400,619	1,239,332	1,298,482
Correctional Institutions	11	11	11
Aircraft	16	16	16
Motor Vessels	22	21	21
National Guard Armories [a]	21	21	21
Natural Resources			
Buildings (square feet)	803,675	749,618	706,814
Parks Acreage	3,356,810	3,356,810	3,353,805
Forest Acreage	2,097,608	2,097,608	2,232,400
Other State Land Acreage	90,309,649	88,505,417	86,166,329
Aircraft	3	3	3
Motor Vessels	9	9	9
Development			
Buildings (square feet)	306,678	279,924	267,229
Transportation			
Buildings (square feet)	1,210,953	1,122,960	1,064,449
Light Duty Vehicles	3,756	3,671	3,609
Heavy Duty Utility Vehicles	1,781	1,760	1,668
Ferries	11	11	11
Building Projects Under Construction	119	119	105
Rural Airports	256	256	256
Rural Airport Projects Under Construction	409	383	339
Centerline Road Miles [b]	-	5,595	5,606
Highway Projects Under Construction	801	808	782
Business-type Activities:			
Airports (Anchorage and Fairbanks International)			
Terminals (square feet)	1,295,864	1,280,864	1,280,864
International Airport (acreage)	8,244	8,153	8,153
International Airport Projects Under Construction	117	105	121
Runways (miles)	8	8	8

NOTES:
[a] Increase in National Guard Armories for 2005 was the result of a federal review for state owned armories that were not recognized in previous years.
[b] Centerline road miles are calculated on a calendar year basis.

2006	2005	2004	2003	2002
738,676	731,101	691,070	930,674	722,847
2,728,657	2,832,934	2,923,628	2,962,440	2,862,070
117	129	145	144	142
17	10	8	12	16
882,511	858,468	852,057	1,100,412	840,707
6	6	6	6	6
526,659	512,094	481,805	602,962	470,832
13	12	13	12	13
1,261,043	1,253,724	1,224,620	1,515,444	1,116,699
11	11	11	11	11
16	16	14	14	12
19	18	16	16	19
21	20	10	10	10
678,899	669,406	663,345	834,591	647,531
3,326,019	3,325,939	3,325,939	3,353,276	3,303,290
2,066,000	2,066,000	2,243,100	2,243,100	2,243,100
84,430,236	82,967,314	82,797,376	83,779,277	83,825,572
3	3	3	3	3
9	9	8	11	11
279,168	272,816	264,948	339,321	272,408
1,033,511	997,525	974,654	1,169,505	908,041
3,366	3,323	3,433	3,403	3,351
1,861	1,824	1,828	1,795	1,789
11	11	10	11	10
112	94	101	108	123
256	258	260	259	259
358	415	397	361	343
5,603	5,613	5,612	5,562	5,557
767	766	760	768	779
1,280,864	1,178,602	773,681	783,900	765,449
8,153	8,153	8,153	8,153	8,153
117	162	187	213	211
6	6	6	6	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, 2009

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
Accelerated Alaska Transportation Projects	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
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 Development Corporation	AS 14.40.841	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 Children's Trust	AS 37.14.200	No	GF	3.01, 3.02
Alaska Clean Water	AS 46.03.032-036 AS 37.15.565	Yes	OAEF	4.31 - 4.33
Alaska Debt Retirement	AS 37.15.011	No	GF	3.01, 3.02
Alaska Drinking Water	AS 46.03.036-038 AS 37.15.565	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 Inducement Act Reimbursement	AS 43.90.400	No	GF	3.01, 3.02
Alaska Historical Commission Receipts Account	AS 41.35.380	No	GF	3.01, 3.02
Alaska Housing Capital Corporation	AS 18.56.086	Yes	SRF	3.31 - 3.33
Alaska Housing Finance Corporation	AS 18.56.020	Yes	DPCU	1.41, 1.42
Alaska Industrial Development and Export Authority	AS 44.88.020 AS 44.88.600 Ch 42, SLA 1987	Yes	DPCU	1.41, 1.42
Alaska Marine Highway System	AS 19.65.060	No	GF	3.01, 3.02
Alaska Marine Highway System Vessel Replacement	AS 37.05.550	No	GF	3.01, 3.02
Alaska Mental Health Trust Authority	AS 47.30.011	Yes	DPCU	6.01, 6.02
Alaska Municipal Bond Bank Authority	AS 44.85.020	Yes	DPCU	6.01, 6.02
Alaska National Guard and Alaska Naval Militia Retirement System	AS 26.05.222	Yes	PTF	5.01, 5.02
Alaska Natural Gas Development Authority	AS 41.41.010	Yes	DPCU	6.01, 6.02
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 Sport Fishing Construction Account	AS 16.05.130(f)	Yes	CPF	3.51, 3.52
Alaska Student Loan Corporation	AS 14.42.100	Yes	DPCU	6.01, 6.02
Alaska Technical and Vocational Education Program	AS 23.15.830	No	GF	3.01, 3.02
Alaska Transportation Infrastructure Bank	Section 350 of the NHSD Act of 1995 Federal Law	No	GF	3.01, 3.02
Alaska Veterans' Memorial Endowment	AS 37.14.700(a)	No	GF	3.01, 3.02
Alaska World War II Veterans' Revolving Loan	AS 26.15.090	Yes	CAEF	4.11 - 4.13
Alcohol and Other Drug Abuse Treatment and Prevention	AS 43.60.050	No	GF	3.01, 3.02
Alcoholism and Drug Abuse Revolving Loan	AS 44.29.210	Yes	OAEF	4.31 - 4.33
Alternative Energy Revolving Loan	AS 45.88.010	Yes	EAEF	4.21 - 4.23

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
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
Budget Reserve - Statutory	AS 37.05.540	No	GF	3.01, 3.02
Building Safety Account	AS 44.31.025	No	GF	3.01, 3.02
Bulk Fuel Bridge Loan	AS 29.60.660	Yes	EAEF	4.21 - 4.23
Clean Air Protection	AS 46.14.260 Federal Clean Air Act	Yes	SRF	3.31 - 3.33
Commercial Fishing Revolving Loan	AS 16.10.340	Yes	CAEF	4.11 - 4.13
Commercial Passenger Vessel Environmental Compliance	AS 46.03.482	No	GF	3.01, 3.02
Commercial Vessel Taxes Fund	AS 43.52.230(a)	No	GF	3.01, 3.02
Community Revenue Sharing	AS 29.60.850	No	GF	3.01, 3.02
Constitutional Budget Reserve	Constitution, Art. IX, sec. 17 AS 37.13	Yes	GF	3.01, 3.02
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 and Museum Facility Design, Construction, and Major Maintenance (GO Bonds)	Ch 2, SSSLA 2002	Yes	CPF	3.51, 3.52
Educational Facilities Maintenance and Construction	AS 37.05.560	No	GF	3.01, 3.02
Election	Federal H.R. 3295	No	GF	3.01, 3.02
Employment Assistance and Training Program Account	AS 23.15.625	No	GF	3.01, 3.02
Exxon Valdez Oil Spill Investment Trust	PL 106-113	Yes	AF	5.11, 5.12
Exxon Valdez Oil Spill Restoration	U.S. District Court Judgment	Yes	SRF	3.31 - 3.33
Exxon Valdez Oil Spill Unincorporated Rural Community Grant	AS 44.33.115	No	GF	3.01, 3.02
Exxon Valdez Settlement Trust	AS 37.14.400	Yes	SRF	3.31 - 3.33
FHWA - Airspace Leases	Section 156 of the USSTURAA of 1987	No	GF	3.01, 3.02
FICA Administration	AS 39.30.050	No	GF	3.01, 3.02
Fish and Game	AS 16.05.100	Yes	SRF	3.31 - 3.33
Fisheries Disaster	PL 108-7, SEC 2, Division N, Title V - Fisheries Disaster, Sec. 501 (a)	No	GF	3.01, 3.02
Fisheries Enhancement Revolving Loan	AS 16.10.505	Yes	CAEF	4.11 - 4.13
Fishermen's	AS 23.35.060(a)	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

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

INDEX OF FUNDS

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

INDEX OF FUNDS

Fund Description	Authority	Separately Reported?	Fund or Group	Statement Number
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
Senior Care	Ch 3, SLA 2004	No	GF	3.01, 3.02
Small Business Revolving Loan	AS 45.95.060	Yes	CAEF	4.11 - 4.13
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
Supplemental Benefits System	AS 39.30.150	Yes	PTF	5.01, 5.02
Surplus Property Revolving	AS 37.05.500(a)(2) AS 44.68.130	No	GF	3.01, 3.02
Teachers' Retirement System	AS 14.25.009-220 AS 14.25.310-590	Yes	PTF	5.01, 5.02
Tobacco Use Education and Cessation	AS 37.05.580(a)	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
Transportation Projects (GO Bonds)	Ch 114, SLA 2002	Yes	CPF	3.51, 3.52
2008 Transportation Project (GO Bonds)	Ch 30, SLA 2008	Yes	CPF	3.51, 3.52
Unemployment Compensation	AS 23.20.130	Yes	EF	1.21 - 1.23
Unincorporated Community Capital Project Matching Grant	AS 37.06.020	No	GF	3.01, 3.02
University of Alaska	AS 14.40.040	Yes	DPCU	1.41, 1.42
Vocational Rehabilitation Small Business Enterprise Revolving	AS 23.15.130	No	GF	3.01, 3.02
Wage and Hour	AS 23.05.220	Yes	AF	5.11, 5.12
Workers' Compensation Benefits Guaranty	AS 23.30.082	No	GF	3.01, 3.02
Workers' Safety and Compensation Administration Account	AS 23.05.067	No	GF	3.01, 3.02

Legend of Acronyms

STATE OF ALASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

LEGEND OF ACRONYMS

Acronym	Description
AF	Agency Fund
AHFC	Alaska Housing Finance Corporation
AIDEA	Alaska Industrial Development and Export Authority
ANGDA	Alaska Natural Gas Development Authority
AS	Alaska Statute
CAEF	Commercial Assistance Enterprise Fund
CFR	Code of Federal Regulations
Ch	Chapter
CPF	Capital Project Fund
CSED	Child Support Enforcement Division
DPCU	Discretely Presented Component Unit
DSF	Debt Service Fund
DSMAF	Deposits, Suspense, and Miscellaneous Agency Funds
EAEF	Energy Assistance Enterprise Fund
EF	Enterprise Fund
EVOS	Exxon Valdez Oil Spill
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FSSLA	First Special Session Laws of Alaska
GAAP	Generally Accepted Accounting Principles
GASBS	Governmental Accounting Standards Board Statement
GF	General Fund
H.R.	House Resolution
ISF	Internal Service Fund
KABTA	Knik Arm Bridge and Toll Authority
NR	Not Reported in CAFR
NTSC	Northern Tobacco Securitization Corporation
OAEF	Other Agencies Enterprise Fund
PF	Permanent Funds
PL	Public Law
PPA	Prior Period Adjustment
PSF	Public School Fund
PTF	Pension and Other Employee Benefit Trust Fund
SBS	Supplemental Benefits System
SLA	Session Laws of Alaska
SSSLA	Second Special Session Laws of Alaska
SRF	Special Revenue Fund
U of A	University of Alaska
USC	United States Code
USSTURAA	United States Surface Transportation and Uniform Relocation Assistance Act

APPENDIX B

FORM OF BOND COUNSEL OPINIONS

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December 14, 2010

State of Alaska
Department of Revenue
Juneau, Alaska

Citigroup Global Markets Inc.
Seattle, Washington

RBC Capital Markets, LLC
San Francisco, California

J.P. Morgan Securities LLC
New York, New York

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Seattle, Washington

Re: State of Alaska General Obligation Bonds, Series 2010A (Taxable Build America Bonds – Direct Payment) - $119,570,000 and General Obligation Bonds, Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment) - $45,000,000

Ladies and Gentlemen:

We have acted as bond counsel to the State of Alaska (the "State") and have examined a certified transcript of the proceedings taken in the matter of the issuance by the State of its General Obligation Bonds, Series 2010A (Taxable Build America Bonds – Direct Payment) (the "2010A Bonds"), in the aggregate principal amount of $119,570,000 and its General Obligation Bonds, Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment) (the "2010B Bonds"), in the aggregate principal amount of $45,000,000, dated December 14, 2010 (together, the "Bonds"). The Bonds are issued pursuant to Chapter 95, SLA 2010 (HB 424) (the "Library, Education, and Educational Research Facilities Bond Act") of the State, an approving vote of the State's voters, Resolution No. 2010-07 of the State (the "Bond Resolution"), and other proceedings duly had and taken in conformity therewith. The Bonds are issued for providing funds for the purposes provided in Sections 3 through 7 of the Library, Education, and Educational Research Facilities Bond Act. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The Bonds are subject to redemption as stated in the Official Statement dated December 7, 2010.

Regarding questions of fact material to our opinion, we have relied on representations of the State in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds are lawfully authorized and issued pursuant to and in full compliance with the Constitution and statutes of the State.

2. The Bonds are legal, valid and binding general obligations of the State, enforceable in accordance with their terms; subject to bankruptcy, insolvency, reorganization, moratorium and other

similar laws affecting creditors' rights to the exercise of judicial discretion in accordance with the general principles of equity.

3. The State has unconditionally pledged its full faith, credit and resources to pay principal of and interest on the Bonds.

4. Interest on the Bonds is not excludable from gross income for federal income tax purposes.

The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the State to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

December 14, 2010

State of Alaska
Department of Revenue
Juneau, Alaska

Citigroup Global Markets Inc.
Seattle, Washington

RBC Capital Markets, LLC
San Francisco, California

J.P. Morgan Securities LLC
New York, New York

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Seattle, Washington

Re: State of Alaska General Obligation Bonds, Series 2010C - $35,430,000

Ladies and Gentlemen:

We have acted as bond counsel to the State of Alaska (the "State") and have examined a certified transcript of the proceedings taken in the matter of the issuance by the State of its General Obligation Bonds, Series 2010C, dated December 14, 2010, in the aggregate principal amount of $35,430,000 (the "Bonds"). The Bonds are issued pursuant to Chapter 95, SLA 2010 (HB 424) (the "Library, Education, and Educational Research Facilities Bond Act") of the State, an approving vote of the State's voters, Resolution No. 2010-07 of the State (the "Bond Resolution"), and other proceedings duly had and taken in conformity therewith. The Bonds are issued for providing funds for the purposes provided in Sections 3 through 7 of the Library, Education, and Educational Research Facilities Bond Act. Capitalized terms used in this opinion and not otherwise defined herein shall have the meanings given such terms in the Bond Resolution.

The Bonds are not subject to redemption prior to their scheduled maturities.

Regarding questions of fact material to our opinion, we have relied on representations of the State in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds are lawfully authorized and issued pursuant to and in full compliance with the Constitution and statutes of the State.

2. The Bonds are legal, valid and binding general obligations of the State, enforceable in accordance with their terms; subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights to the exercise of judicial discretion in accordance with the general principles of equity.

3. The State has unconditionally pledged its full faith, credit and resources to pay principal of and interest on the Bonds.

4. Interest on the Bonds is not included in taxable income for purposes of the Alaska income tax imposed on corporations.

5. Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax and is not included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the State comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The State has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the State to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

APPENDIX C

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 $119,570,000 General Obligation Bonds, Series 2010A (Taxable Build America Bonds – Direct Payment), $45,000,000 General Obligation Bonds, Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment) and $35,430,000 General Obligation Bonds, Series 2010C (collectively, 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" 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.

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, 2012. 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. It shall be sufficient if the State provides to the MSRB, the Annual Financial Information by specific reference to documents previously provided to the MSRB and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

(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 cross-reference any or all of such annual financial information and operating data to other documents to be provided to the MSRB.

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.

It shall be sufficient if the State provides to the MSRB the Annual Financial Information by specific reference to documents previously provided to the MSRB and, if such document is a final official statement, available from the MSRB. The State shall clearly identify each such other document so incorporated by reference.

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 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 should 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 should 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 meets its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in the accounting principles should 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. 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: December 14, 2010

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 2010A (Taxable Build America Bonds – Direct Payment), General Obligation Bonds, Series 2010B (Taxable Qualified School Construction Bonds – Direct Payment) and General Obligation Bonds, Series 2010C
Date of Issuance:	December ___, 2010

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 December ___, 2010. 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, GASB 34

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APPENDIX D

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND GLOBAL CLEARANCE PROCEDURES

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INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND GLOBAL CLEARANCE PROCEDURES

The information in the following section regarding DTC and its book-entry system has been obtained from DTC's website, and the information in the following section regarding Clearstream, Luxembourg has been obtained from Clearstream, Luxembourg, for use in securities offering documents, and the state takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof. The information in the following section regarding Euroclear and the Euroclear system has been obtained from or reviewed by Euroclear, and the state takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The state cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants (or that Clearstream, Luxembourg, Clearstream, Luxembourg Participants, Euroclear or Euroclear Participants, as applicable) will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants, or Clearstream, Luxembourg, Clearstream, Luxembourg Participants, Euroclear or Euroclear Participants, will act in the manner described in this Official Statement.

The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. The information regarding Clearstream, Luxembourg and Euroclear is subject to any change in or interpretation of the rules, regulations and procedures of Clearstream, Luxembourg or Euroclear (together, the "Clearing Systems") currently in effect, and investors wishing to use the facilities of either of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing system. Beneficial Owners should confirm the following with DTC or with Participants or Clearstream, Luxembourg, Clearstream, Luxembourg Participants, Euroclear or Euroclear Participants, as applicable

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC – bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

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 highest rating: AAA. 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 and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Clearstream, Luxembourg

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg") is successor in name to Cedel Bank, S.A. Clearstream Banking, Luxembourg is a wholly-owned subsidiary of Clearstream International S.A.. On 1st January 1995, Clearstream, Luxembourg was granted a banking license in Luxembourg.

Clearstream International S.A., which is domiciled in Luxembourg, is as from June 2009, 51 percent owned by Clearstream Holding AG and 49 percent owned by Deutsche Börse AG ("DBAG").

Clearstream Holding AG is domiciled in Germany and wholly owned by DBAG.

DBAG is a publicly held company organized under German law and traded on the Frankfurt Stock Exchange.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in many countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CSSF", which supervises Luxembourg banks. Since 12 February 2001, Clearstream, Luxembourg has also been supervised by the Central Bank of Luxembourg according to the Settlement Finality Directive Implementation of 12 January 2001, following the official notification to the regulators of the Clearstream, Luxembourg's role as a payment system provider operating a securities settlement system.

Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Clearstream Banking AG, which is domiciled in Germany, is a fully-owned subsidiary of Clearstream International. Clearstream Banking AG provides clearing and settlement services for the German domestic and international market.

Euroclear Bank

Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants. Non-Participants in the Euroclear System may hold and transfer book-entry interests in the securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream, Luxembourg and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream, Luxembourg and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories"). Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems. Investors electing to hold their Bonds through Euroclear or Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream, Luxembourg holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream, Luxembourg will be credited to the cash accounts of Clearstream, Luxembourg customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream, Luxembourg or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream, Luxembourg customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds. Secondary market trading between Euroclear Participants and/or Clearstream, Luxembourg customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds. When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream, Luxembourg customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream, Luxembourg customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream, Luxembourg cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream, Luxembourg customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, they may take on credit exposure to Euroclear or Clearstream, Luxembourg until the securities are credited to their accounts one day later. As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream, Luxembourg customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds. Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream, Luxembourg customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross- market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream, Luxembourg customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream, Luxembourg customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream, Luxembourg customers' accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream, Luxembourg customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream, Luxembourg customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

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STATE OF ALASKA • General Obligation Bonds, Series 2010A, Series 2010B and Series 2010C